Ph.D IN POLITICAL THEORY, POLITICAL SCIENCE AND POLITICAL HISTORY
XXXI CYCLE

Democracy and Income Inequality: Searching for a Reciprocal Causal Relation

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November 30, 2018

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List of Abbreviations

2SLS  Two Stages Least Square

3SLS  Three stages least square

APSA  American Political Science Association

ATG   All the Ginis

BMR   Boix Miller and Rosato

CEDLAS Centro de Estudios Distributivos, Laborales y Sociales

COMECON Council for Mutual Economic Assistance

CNTS  Cross-National Time-Series Data Archive

EHII  Estimated Household Income Inequality

EIU   Economist Intelligence Unit

EU-SILC European Union Statistics on Income and Living Conditions

FH    Freedom House

FIML  Full Information Maximum Likelihood

GDP   Gross Domestic Product
GLS General Least Squares

GSoD Global States of Democracy Indices

HDI Human Development Index

IDD Income Distribution Database

IDEA International Institute for Democracy and Electoral Assistance

IHDI Inequality-adjusted Human Development Index

ILOSTAT International Labour Organization Statistics

IV Instrumental Variable

LIS Luxembourg Income Study

MI Multiple Imputation

MM Mass Mobilization Project

NEM New Economic Mechanism

NGO's Non-Governmental Organizations

OECD Organisation for Economic Co-operation and Development

OLS Ordinary Least Squares

PIV Polity IV

PRC People Republic of China

SEDLAC Socio-Economic Database for Latin America and the Caribbean

SEM the Structural Equation Model
SWIID  Standardized World Income Inequality Database

UDS  Unified Democracy Scores

UNIDO  United Nations Industrial Development Organization

UNU-WIDER  United Nations University World Institute for Development Economics Research

US  United States

WDI  World Development Indicators

WGI  Worldwide Governance Indicators

WIID  World Income Inequality Database

WVS  World Value Survey
1

Introduction

The study of the relation between a state’s form of government and its levels of inequality is well rooted in economic and political science research, and in the last decade it even experimented a renewed interest. As it will be deeply discussed later, the divergent results produced by the corpus of research elaborated so far on this subject, both theoretical and empirical, raise the question about whether it is possible that the classic theories on which the research relied could need to be refined and improved.

The divergent empirical results, indeed, may be the symptom of methodological issues, but they could also depend on the fact that the theories on which they are based fail to consider aspects, variables, and mechanisms that influences the relation between the two variables.

Consequently, the purpose of the present work is twofold: on the one side, it aims to try to develop a more efficient theoretical framework by refining the classic theories present in the literature; on the other side, it aims to quantitatively analyze the refined theoretical framework pro-
duced, in a cross-national perspective, in order to assess if, how, and to what extent the form of government of a state and its levels of inequality are related to each other, trying to produce generalizable results.

It is worthy to stress from the beginning that even if the study of the relation between the form of government of a state and its levels of inequality has somehow become part of the research strand on the determinants of democracy, as it will be discussed in the next sections, this work will mostly leave aside the processes of democratization focusing instead, in a more static perspective, on the overall relation between the two variables.

But before proceeding with the different steps of the research, it is also useful to discuss some preliminary considerations and clarifications. For this reason, in the next sections: i) I will discuss how the research strand on the relation between the form of government of a state and its levels of inequality started, how it evolved through the decades, how it experimented a renewed interest in the last years, and moreover why the study of this relation is still important within the field of political science; ii) I will present the main theories of democratization incorporating in some way the relation between the form of government of a state and its levels of inequality; iii) I will discuss some theoretical and methodological issues that, inherent in the study of the relation in object, needs to be taken into account before proceeding with the theoretical and the empirical analysis; and iv) I will present the research strategy employed in the present work, and the different stages it encompasses.
1.1 Why does the study of relation between the state’s form of government and its levels of inequality still matter?

The empirical study of the relation between democracy and income inequality is puzzling scholars at least since the 1970s. Begun as an economic approach to the study of democratic transitions, it subsequently became part of the research strand on the determinants of democratic processes within the discipline of political science. These processes have long been studied in political science and economic literature, and several theories have been proposed to disentangle, and to explain, the role played by the different factors and actors involved, the main variables affecting them, and under which conditions they are more likely to occur. At the principle, therefore, the research was focused on the impact of inequality on the states’ form of government. Notwithstanding, very soon, the study of this relation also evolved as a distinct research strand and the focus started to be posed also on the effect that the form of government could have had on inequality.

When this research strand begun the world was divided into two political and ideological counterposed blocks and non-democratic countries consistently outnumbered democratic ones, and the aim of at least a part of the scholars involved in this kind of research was also to show the advantages of democratic vis-à-vis non-democratic regimes, in the hope that this would have helped spreading and fostering democratic practices and institutions all over the world. From the beginning, in
fact, one of the assumptions of the theory was that one of the advantages of democracy was the reduction of income inequality.

Therefore, the attention given by the scholars to this topic derived from several aspects but, looking at it from a historical perspective, four main factors appear to have mainly triggered (and to be still triggering) the debate. Moreover, these facts can explain why, in the last years, the interest to the study of the dynamics governing the relation between democracy and inequality has considerably and constantly grown, among scholars of different disciplines, and why the study of relation between the state’s form of government and its levels of inequality still matters.

Firstly, after the fall of the Soviet Union and the end of the cold war, the unfreezing of the international arena showed the will of a consistent number of states, persuaded by the advantages the democratic form of government was promising, to adopt the democratic form of government. Even if not all the democratic transitions have succeeded, and in some cases there have been setbacks and reversals, the democratic form of government has spread all over the world in the last fifty years (Figure 1.1).
Figure 1.1: World total number of democratic countries by year

Source: Author’s elaboration on Polity IV data (Marshall, Gurr, and Jaggers, 2017). Countries are classified as democracies if have a score comprised between 6 and 19 (included)

Secondly, in the second half of the twentieth century and in particular after the end of the Cold War, extreme poverty dropped significantly, and the proportion of the population living in extreme poverty\(^1\) diminished from 42 per cent in 1981 to 10 per cent in 2013. But, on the contrary, in spite of the democratic spread, as noted by several authors income inequality increased in most countries worldwide, particularly among developed countries (Freeman, 2001; Piketty, 2014; Pianta & Franzini, 2016; Milanovic, 2016; Alvaredo et al., 2017). Figure 1.2 shows how, at global level, the share of the total income held by the top 1 per cent of the distribution rose from 16.2 to 20.5 between the years

\(^1\)Data from World Bank (2017).

Figure 1.2: Global Top 1 percent national income share

Elaboration of the author on data provided by Alvaredo et al. (2016)

Thirdly, in recent years, the democratic spread seems to be facing a phase of stagnation, and some authors have even pointed out that this stagnation would begin to give way to a phase of democratic regression. Foa and Mounk (2016) highlighted how the number of citizens starting to be sympathetic to the perspective of being ruled by “strong-men” is growing, and the satisfaction with existing institutions, in both consolidated and young democracies, has started to decline. Freedom House (2018) stated that: stated that “For the 12th consecutive year, according to Freedom in the World, countries that suffered democratic setbacks outnumbered those that registered gains. States that a decade ago seemed like promising success stories —Turkey and Hungary, for
example—are sliding into authoritarian rule”. It is still unclear if the spread of what have been called the “populist infection” (Archibugi & Cellini, 2018a), which have been claimed to be responsible of this reversing, could contribute to the worsening of the quality of government within states or if, in a more pessimistic scenario, it could lead to a more worrying generalized non-democratic backlash. What it seems to be quite clear, however, is the fact that the populist spread is associated with the worsening of citizens’ living conditions who followed the start of the 2007 economic crisis (Archibugi & Cellini, 2018b), one of the most evident symptoms of which is the consistent increases of income inequality.

A fourth factor, of methodological nature, which from the 1960s considerably boost the empirical research on this subject, as well as on other subjects in social sciences, is the great expansion of data collection, and the evolution of the capacity to process and to analyze data, thanks to the production of more sophisticated statistical and computational tools. Moreover, the progressive technological development experimented in the second part of the twentieth century made the collection of data more and more inexpensive, allowing social scientists to launch themselves in challenges that only a few decades earlier would have seemed impossible.

Therefore, the successful spread of the democratic form of government after the end of the cold war, and the somehow unexpected increase of the level of inequality in most countries of the world following the third wave of democratization, can explain the interest that scholars showed on this research strand. Interest that contributed, in
the last decades, to the production of several theoretical and empirical researches aimed at theorizing and testing how democracy and income inequality interact, and even if inequality can be listed among the determinants of democratization. At the same time, the more recent concerns about the health state of democracy explain why the interest on this topic is still present in academia and why the study of the relation between the state’s form of government and its levels of inequality continues to be of great importance. Understanding the dynamics of the relation between these two variables, in fact, could help to understand why democracy seems to face a stagnating phase and how to avoid that this phase can be followed, as in the most pessimistic previsions, by a phase of non-democratic backlashes.

1.2 The main theories of democratization

From a theoretical perspective, scholars have pointed out several actors and key variables that would influence the democratic process, elaborating different theoretical frameworks aimed at explaining institutional change. Institutional, political, social, as well as external factors have been identified for explaining these processes (Morlino, 2012), each theory stressing the relative importance of a certain factor over the others. Among the most important elaborated so far, one can mention the modernization theory, the transition from above theory, the transition from below theory, and the redistributive theory of democracy, which are those who have contributed most to the theoretical and empirical development of the subject. All of them with different focuses also investigate the relation between the form of government of a state
and its levels of inequality.

The modernization theory firstly developed by Lipset (1959) stresses the importance of economic development in shaping countries’ institutional setting. The mechanism proposed is quite straightforward, the increases of individual economic well-being, mainly through the improvement of the education, would change so deeply individual preferences that the masses would not anymore accept to live in a non-democratic regime. Even if Lipset does not directly address the relation between the political regime of a state and its levels of inequality, his seminal works have been employed as the basis of most of the subsequent theories on this topic.

Focusing on different actors, the transition from above theory emphasizes the role of agency, and the dynamics of transition among societal groups. According to this theoretical strand, the processes of democratization and democratic consolidation are basically the outcome of the struggle between different elites, pursuing different objectives. O'Donnell, Schmitter and Whitehead (1986), Przeworski (1991), and Przeworski et al. (2000) focus on the strategy, beliefs and calculations of the elites’ leaders who lead the democratization at critical junctures. These authors claim that other factors, such as economic development and movements’ dissent, can influence the processes, but they cannot explain alone why democratization and democratic consolidation succeed in some cases while failing in others.

The transition from below theory challenges the elite-driven transition theory, stressing the importance of the pressure from below, coming from citizens’ mobilization. Within non-democratic regimes, protests
reveal the presence of an opposition able to mobilize large segments of population, and to pose a threat to the regime. According to this theory, mass mobilization can influence the processes of democratic transition and consolidation in different ways. For instance, protests increase the government’s cost for repression and, in some cases, it might push the government to make political concessions. At the same time, protests can favour elite’s division about the way in which to face political challenges and doing so it can increase the likelihood of democratic concessions (Celestino & Gleditsch, 2013). In addition, the pressure from below can affect also democratic countries. Within democratic regimes in fact, especially in the context of young democracies, high levels of protests may push the elites to implement repressive and undemocratic policies to maintain their power. In both cases, according to the theory, to show their effect protests have not to be necessarily violent and, according to a recent theory’s development, to better understand the role of protests in shaping the democratic processes, it is necessary to make a distinction between violent (or armed) and non-violent (or peaceful) protests (Ulfelder, 2005; Karatnycky & Ackerman, 2004; Teorell, 2010; Chenoweth & Stephan, 2011; Celestino & Gleditsch, 2013; Schock, 2013).

The redistributive model of democracy incorporates different elements, such as inequality, distributive conflicts, and the strategic decisions of two societal groups, the citizens and the elites, which interact to explain how a society can transition from a non-democratic to a democratic political system (Boix, 2003; Acemoglu & Robinson, 2005). In a dynamic perspective, the redistributive model of democracy claims that
the income’s difference between the two groups shapes their preferences for the institutional form of the government. Poor citizens would prefer democracy because of its redistributive potential, while the elites would prefer non-democratic forms of governments since they would enable them to maintain their power. Acemoglu and Robinson (2005) emphasize the role of masses because of their numbers, the majority, poor people, can “challenge the system, creating significant social unrest and turbulence, or even pose a serious revolutionary threat”. Therefore, the solution of the conflict between poor citizens and the elites would depend on the distribution of political power, that in turn is a function of the "de jure" and the "de facto" political power. Within the Acemoglu and Robinson’s model, therefore, the only way with which poor citizens can transit from a non-democratic to a democratic regime is through protests, which would have the role of detonating the democratic process.

Notwithstanding, nowadays, after almost forty years of studies on this topic, there is no agreement about how the relation between the state’s form of government and inequality would shape nor how the causal mechanisms would work, and some scholars even deny the presence of any causal relation between the two variables (Jackman, 1974; Hewitt, 1977; Bollen & Grandjean, 1981).

1.3 Conceptual and methodological issues

The lack of consensus regarding the shape and the causal direction that the relation would assume may depend on several factors, either conceptual and methodological, some of which need to be considered
and discussed before proceeding with this work since they can condition both the theoretical and the empirical analysis.

From a conceptual standpoint, first and foremost, both democracy and income inequality can be defined in different ways. The conceptual and the operational definitions of both variables will be discussed in detail in Chapter 2, preliminary it is sufficient to stress that democracy can be defined such as to consider only two dimensions, for instance as proposed by Dahl (1971) contestation and competition, or it can include other dimensions such as the respect for specific civil rights. Similarly, inequality can be defined according to different understanding, it can be defined in terms of economic resources as inequality of income, but also in non-economic terms such as proposed by Amartya Sen (1992) among others.

But apart from the definition of democracy and inequality, from a theoretical perspective, at least two other issues recur in the study of the relation between the state’s form of government and its levels of inequality. The first concerns the nature of democracy and its relationship with liberalism, while the second is the way in which the economic concept of rationality influenced the study of this relation.

With respect to the first issue, the liberal conception of democracy have been long considered hegemonic (Della Porta, 2013), and even today when speaking about democracy social scientists usually refer to liberal democracy, so as that in recent years the concept of democracy and liberalism "have become almost hopelessly conflated and confused, especially in the work of social scientists" (Miller, 2018). This is evident also looking at the attempts to quantitatively measure democracy. Many
of the most influential and employed democratic indices, discussed in Chapter 2.1.3, employ a definition of democracy based on a liberal understanding, as if liberal democracy would be the only possible form of democracy. For this reason, it is worthy to make some semantic as well as theoretical considerations about the meanings of the term liberalism and how it relates with democracy.

In the Italian language two distinct terms have been coined, "liberalismo" and "liberismo", to indicate respectively the ethic-philosophical-political and the strictly economic dimensions of the concept attached to the English term liberalism. This linguistic development did not happen without a heated debate about the opportunity to use two distinct terms, and the ideological clash between Benedetto Croce, the proponent of the linguistic distinction between the two terms, and Luigi Einaudi, who was instead convinced of the wrongness of this distinction, became paradigmatic. With his philosophical background, Benedetto Croce probably dreaded a contamination of the idealistic nature of liberalism with the utilitaristic traits of the laissez faire, and for this reason he intended to separate the moral aspect of political liberalism from the more trivial ones of commerce and business (Croce, 1928). Croce criticized economic liberalism for its pretension of converting the utilitaristic principles into a supreme law guiding the social life of a country. Luigi Einaudi with his economic background, on the contrary, denied the fact that the economic and the ethical aspects of liberalism could and should be disjointed, claiming that economic liberalism is not an economic principle that contrast with the ethical liberalism, but rather it is a concrete solution that often economists employ to find those in-
struments able to reach certain philosophical, moral or ethical goals (Einaudi, 1931). According to Croce political liberties did not need the support of a particular economic structure, while according to Einaudi all the freedoms were integral with each other including therefore economic freedom. In this work, the discussion between Croce and Einaudi is important not simply because its semantic consequences, rather because it warn about the advisability of considering political and economic liberalism as inseparable features of democratic political systems. Moreover, it also shed light on the necessity that economy be guided by ethical and moral considerations and not by mere economic laws. At the same time, the discussion between the two authors warns about the possibility that the equation could be inverted, namely the possibility that economic laws could be employed alone to decide which kind of policies a country should implement, without considering their philosophical and ethical consequences.

In English, instead, the term liberalism is employed to indicate several distinct scopes, which nevertheless often interpenetrate each other, and it may be preceded by adjectives denoting the specific area of competence. However, for what interests the present work, following the suggestions of Benedetto Croce, it is important to distinguish political and economic liberalism. The former refers to a corpus of philosophical conceptions constructed starting from (and around) the concept of liberty, which had their maximum expression in the formation of liberal democracies. The latter, which can be considered a product of the former since indeed it is based on its philosophical political theories, refers to a corpus of economic theories, which gave birth to several eco-
onomic practices. But the concept of liberty is a contested concept (Bu-
facchi, 201), and Liberal tinkers have developed distinct and competing
conceptions of liberty that have different consequences when translated
into political and economic applications.

Liberals’ disagreement about the concept of liberty lead to differ-
ent conception about the role governments should play in democratic
societies (Gaus, Courtland & Schmidtz, 2018). Important here is the
difference among the negative and the positive types of liberty, and in
particular its negative conception. In his essay “Two concept of liberty”,
Isaiah Berlin (1958) describe and discuss these two concepts arguing
that negative freedom can be thought as the mere absence of external
obstacles that prevent an individual action whereas positive freedom
can be understood as those internal factors which determine individual
action. Beyond these two definitions, there is a variegated range of in-
terpretations of the concept of freedom. It is not the scope of this work
to examine in depth these different interpretations or to enter the philo-
sophical discussion on the term, instead, it is important to highlight how
the negative interpretation of liberty can influence the definition of what
a liberal democracy is and what its aims are. The negative conception
of freedom usually restricts the range of obstacles constraining freedom
to those imposed by other agents (Carter, 2018), negative in this context
refers to "the lack of interferences, obstacles, or constrains, in short,
freedom from" (Bufacchi, 201) something. And this understanding of
negative freedom, long present in the liberal discourse even before the
disentanglement of the two conceptions of liberty, is what give birth to
the economic theory of market’s self-regulation that, in turn, can influ-
ence economic equality within countries.

Starting from the concept of invisible hand elaborated by Adam Smith (1756; 1776) and subsequently interpreted by many economists, the idea that markets have the capacity of self-regulating themselves has become well rooted in the economic liberal and neo-liberal theories. The consequence of such self-regulating capability is that according to liberal and neo-liberal economists states should limit their intervention in the economic life of their citizens since "The Market" is able by itself to allocate the resources of a country in the best possible way. Practically speaking, one of the consequences is that, in this view, governments should not impose taxes beyond what it is needed to regularly run the governmental apparatus.

The distinction between political and economic liberalism, therefore, is important because more a country follows an economic liberal attitude more it will be reluctant to implement redistributive policies that, whether taking the form of a higher taxation for the rich in favor of greater support for the poor, or for example the imposition of a minimum wage, would involve a state (and therefore external) intervention that would interfere with the ability of the markets to self-regulating themselves.

All this reasoning also points out to another important distinction that is worthy to stress, namely the one between liberal and social democracies. As already said, in contrast with the attitude of democratic indices to conflate the concept of democracy with that of liberal democracy, the latter is not the only possible type of democracy. At least another important type can be traced, and it is precisely the social
democracy. This distinction is particularly important for the present work since as highlighted by Margalit (2013) "Social democrats are more concerned about the distribution of income than are liberals. For the social democrat, it is not just taking from the rich and giving to the poor. Rather it is about caring about equality all the way down the slope of the income curve". This different attitude toward redistribution obviously affects the type and level of redistributive policies that a state will decide to implement and that citizens will decide to ask for, and consequently the states’ levels of inequality. And citizens’ attitude toward redistribution is connected with the second theoretical issue, namely the influence of the concept of rationality on the study of the relation between countries’ regimes and inequality.

Most of the empirical research carried out on this topic (discussed in Chapter 3.2), in fact, assumes that citizens are always economically rational in their choices. The classical theory, thoroughly discussed in Chapter 3.1, assumes that: within a democratic country, where all the citizens have the right to participate to the political life and consequently to influence the implementation of specific policies through their votes, and where the poorest section of the population is usually bigger than the richest section, most voters would prefer political forces committed to the implementation of redistributive policies. The reasoning at the basis of the theory is quite straightforward, poor citizens must be interested in the implementation of redistributive policies since they would improve their individual well-being. At the same time, the theory provides also that the richest section would not favour redistributive policies since they will endanger their economic interests.
But this reasoning has two strong implications. Firstly, it takes for granted that poor citizens always perceive inequality as a social problem that the government must address, and the implementation of redistributive policies as the answer to that problem. Secondly, it takes for granted that richest citizens must always oppose redistribution. Such attitudes, however, can depend obviously on factors different from citizens’ belonging to a specific economic group, such as for instance citizens’ philosophical, ethical, and political believe. The struggle among two distinct societal groups, interpreted in different ways, is also at the basis of the four theories of democratization mentioned above: the transition from above, the transition from below, and the redistributive model of democracy. Even if not always explicitly, the theories strongly rely on the economic assumption which consider the human being to be a rational actor, and its choices to be mainly driven by rationality. However, how I will discuss in Chapter 6.1.1, taking for granted that citizens perform their choices in an economically rational way can produce a biased interpretation of the relation between the state’s form of government and its levels of inequality.

From the methodological perspective, discussed in depth in Chapter 2, other issues arise when moving from the theoretical to the empirical realm. The process of operationalization and the choice of the indicators needed to proceed from the theoretical to the empirical realm, the choice of employing a set of data instead of another, or an equation model over another, as it can be intuitively noticed, even if usually guided by the literature, require abundant doses of subjectivity that can lead to divergent results when the empirical analyses are carried out.
1.4 The research strategy

The lack of agreement among scholars about the shape, and in some case the very existence, of the relation between a state’s form of government and its levels of inequality should not be taken as a sign of a total lack of relation, and the difficulties implicit in the measurement of social phenomena should not discourage the empirical research in this field. On the contrary, these considerations should spur scholars to try to develop and test more and more refined theories, and to find more and more valid instruments to measure social variables and to test those theories. Accordingly, the strategy of the present work is to address in a cross-national and mainly cross-sectional perspective the relation between the regime type of a state and its levels of inequality from a political science rather than a purely economic viewpoint, developing a more complete theoretical framework abandoning some of the economic premises mostly employed insofar.

To do so, Chapter 2 defines the two concepts of form of government and inequality, discussing the different ways in which they can be conceptualized and measured, and presenting and discussing the measurements exercises most employed in the empirical research on the subject, as well as those that will be employed in the present work. Chapter 3 introduces and discusses the theoretical and the empirical literature on the topic. It firstly identifies and expounds four main theoretical strands on the relation between regime types and inequality. Secondly, it presents and analyses the most important empirical studies, how they are developed, the samples and the methodologies they em-
ployed and the results they reached. Chapter 4 presents some methodological premises, discussing and justifying the strategy employed to analyze the relation between the state’s form of government and its levels of inequality. In particular it explore the usefulness of employing a mixed method approach in which the development of the theoretical framework, of the hypotheses to be tested, and of the empirical econometric analysis, is preceded by the analysis of specific case studies that, through the use of an inductive approach typical of the qualitative methodology, aims to identifies mechanisms and relations influencing both the state’s form of government and its levels of inequality. Based on these premises, Chapter 5 analyses some specific cases of countries that in several ways deviate from the established theories identified in Chapter 3. These are the cases of United States, Hungary and China. Based on the theoretical and empirical literature review as well as on the insights derived from the analysis of the deviant cases, Chapter 6 tries to elaborate a theoretical framework capable to explain the relation at the centre of the present work by discussing how the state’s form of government influences inequality and vice versa, as well as how other factors influence both variables. Chapter 7 presents the quantitative analysis. Firstly, it describes the hypotheses to be empirically tested, derived from the theoretical framework elaborated. Secondly, it presents the data employed and the dataset from which they are retrieved. Thirdly, it discusses the econometric strategies and models employed to test the hypotheses formulated. And fourthly, it presents and discusses the results of the econometric analysis. Lastly, Chapter 8 further discusses the findings of the research and the conclusions it reached, as well as
some prospects for future research.
Defining the core concepts: form of government and inequality

Before beginning the journey toward the analysis of the relation between the form of government of a state and its levels of income inequality, it is essential to define the core concepts employed in the research. The form of government may be defined in several ways based on different focuses, as for instance by the structure of power, the source of power, the ideology, or other attributes.

At the same time, also inequality can be defined in various ways. In a general sense the term inequality indicates lack of equality. However, depending on the aspect one chooses to consider, there could be many forms of inequality, for instance: political inequality, gender inequality, wealth inequality, or income inequality.

Therefore, both form of government and inequality are contended
concept, which can be defined, conceptualized, operationalized, and measured in different ways. Let us start with the definition of the form of government.

2.1 Conceptual and operative definitions of form of government

The term form of government in political science is often employed with different connotations and it can refer to different concepts, as mentioned above, depending on the characteristics one chooses to consider: the structure of power, the source of power, or the ideology. The definition based on the structure of power focuses on the way in which the different decision powers are allocated between the different institutions forming the state. The definition based on the source of power, instead, focuses on the subjects to which the power to govern ultimately pertain. While, the definition based on the ideology, focuses on the set of ideas and ideals upon which the governing body rest on. It is worthy to highlight that, in political science, sometimes the term political regime is preferred to the term form of government while other times the two terms are employed interchangeably, and that within the present work I choose to follow the second path and I will employ the terms form of government and political regimes as synonyms.

In this work, the attention is posed mainly on the definition of the form of government based on the source of power, according to which a government can be democratic, oligarchic or autocratic. However, even though each of these typologies has its own definition and fundamen-
tal characteristics as well as within typology differentiation, oligarchies and autocracies are usually defined in terms of lack of democratic attributes. While democracy has positive definitions, non-democracies are negatively defined based on the definition of democracy. This appears clear when one looks at the exercises aimed at assessing the form of government or the quality of government within states. In fact, this is due through the development of democratic indices in which non-democratic forms of government are assessed only by the lack (or the degree of the lack) of those attributes one chooses to deem essential for the definition of democracy.

As already discussed, the source of power, however, is not the only characteristic upon which the form of government can be defined. Beyond that the state’s form of government can also be defined based on its ideology, and this definition can play an important role in the relation between the form of government and inequality. For this reason, it deserves to be considered. As it will be discussed in the next sections, in contrast to the negative meaning often employed in journalistic and popular discourses, within this work ideology is defined and understood as a neutral term identifying a system of ideas and ideals, especially one which forms the basis of economic or political theory and policy.

2.1.1 Form of government as the source of power

Of Greek origin, the word democracy was coined to indicate a typology of government in which the political power was not in the ends of a tyrant or a king, but rather in the ends of the citizens. Democracy, in fact, derived from the ancient Greek word "demokratia" a word
combining the two words "demos" (which means people, but also active majority (Musti, 2013)) and "kratos" (which means rule, but also power (Musti, 2013)). Therefore, in a very general and abstract sense, the concept of democracy indicates a polity governed by the people (citizens), or similarly a polity in which the power belongs to the citizens, or to a certain majority of them. Indeed, democracy in ancient Greek was far different from the political regimes designated by the modern usage of the term. If it is true that the political power was in the ends of the citizens, it is also true that the concept of citizenship was quite restrictive in encompassing who was considered as such and who was not. Only adult males who had completed the military training could be considered as full citizens (Raaflaub, Ober & Wallace, 2007). Women, slaves, criminals, and most of foreigners were not considered citizens and they could not enjoy the prerogatives attached to that status (Manville, 2014).

The agreement about the meaning of the concept of democracy, however, ceases when one abandons such a general definition in searching of a more detailed one. And as it happens for many concepts in social sciences, there is not a single definition of democracy. Based on the aspects which one chooses to deem fundamental, its definition can change considerably.

The definitions of democracy can be based on its procedure, its content, its results, or a combination of the three components. Based on democratic procedure, Dahl (1971) focused its attention on participation and the right to opposition, considering democratic all those regimes in which the participation to the political life is guaranteed for all adult citizens, independently from their sex, race, or socio-economic position,
and in which there is the possibility to express dissent toward the government. Based on content, democracy has been defined as a regime type that guarantee citizens and communities to enjoy liberty and political equality (Diamond & Morlino, 2004). And based on results, instead, democracy can be defined as a responsive regime type, where responsive means capable to adequate itself and its policies to citizens’ demands and preferences, as aggregated by the political process (Diamond & Morlino, 2004). This is not an exhaustive set of definitions, and indeed democracy can conceptually be defined in a variety of other different ways.

However, notwithstanding the lack of agreement about which characteristics should be considered essential, it is possible to divide the definitions of the concept of democracy into two extremes: minimal and maximal definitions. In a general sense, minimalist and maximalist definitions of democracy differ with the respect the more or less large number of characteristics and aspects considered and, therefore, in practical terms they differ about both the number of countries considered democratic and the way in which different countries pertaining to the same category (democracy/non-democracy) are classified. The two groups represent also a sort of continuum that is useful on the one side to trace the boundaries of the concept and, on the other side, to assess the differences between different forms of democracies (and non-democracies).

Democracy is not an abstract concept only but also an empirical manifestation, which scholars try to measure empirically, hence, tracing the boundaries of the concept is essential to ensure the validity of the measurements. And this is precisely the aim of the minimal definition.
According to Morlino (2005), a regime may be considered democratic if, and only if, it possesses at least the following characteristics:

1. male and female adult universal suffrage;

2. free, fair, competitive and recurrent elections;

3. more than one credible party;

4. different and alternative source of information.

To be considered democratic, a polity must satisfy all the above-mentioned characteristics, so as that even if it would lack even only one of these features it could not be considered minimally democratic.

But, the definition of a minimal democracy implies the existence of its opposite, namely a maximal democracy. Since there is no agreement about which characteristics a democratic country must possess to be considered a maximal democracy, it is more correct to use the plural and to speak about maximal definitions. Also called ideal definitions, the maximal definitions of democracy represent a set of ideal (and often normative) rather than operative definitions. Since democracy can evolve as a system of values and institutions, the desirable features it should encompass can change both in time and space. The maximal definition of democracy is extremely useful when one tries to empirically assess not only the presence or the absence but also the degree of democracy within a country. The maximal definitions of democracy can be understood also as a mix of definitions based on either procedures, contents and results, but particularly stretched on the latter aspect. In fact, often, the maximum definitions include characteristics that are not
immediately attributable to democratic procedures, norms or institutions, but rather represent those results to which an ideal democratic political system should aim to, such as for instance the respect for human rights, and socio-economic or gender equality. For these reasons, when employing maximal definitions of democracy, it would be more correct to talk about quality of democracy rather than simply democracy.

Both minimal and maximal definitions, however, generate problems when they are operationalized to be employed in measurement exercises. Maximal definitions often conflate the concept of democracy with other concepts that could be employed to explain democracy, or which should be explained by democracy. At the same time, minimal definitions often lack in providing enough distinction between regimes (Munck & Verkuilen, 2002). In fact, when empirically put to work, on the one side maximal definitions could give biased results. For instance, if analyzing the relationship between democracy and human rights one would employ a measure of democracy operationalized starting from a definition of the concept of democracy encompassing also the respect for human rights, the analysis would be severely biased. On the other side, minimal definitions could not allow for a correct assessment of the relation analyzed, especially when one tries to analyze the effect of democracy on other variables. Continuing with the example of the analysis of the relation between a country’s form of government and human rights, if the aim of the research is to measure the effect of a certain form of government on the level of respect for human rights, employing a minimal definition would be quite easy to assess the difference in
the respect of human rights between a democratic and a non-democratic country, but it would not be possible to assess the differences between two consolidated democracies.

The minimalist definition issue is the reason why, in the last decades, several measurement exercises have employed more stretched definitions of democracy encompassing characteristics that go beyond the mere procedural conception of democracy. The differentiation of instruments capable to be employed in different types of analysis represent a valuable enrichment, since they allow to perform analysis that otherwise would be impossible to perform. However, it is fundamental to consider what kind of measurement one employs, and that each measurement have been constructed starting from different definitions of democracy. In Chapter 2.1.3, I will present the democratic indices most employed in the empirical research discussing their strengths and limitations and justifying the selection of certain indices over the others.

2.1.2 Form of government as ideology

Beyond the definition based on the source of power, the state’s form of government, be it democratic or not, can be also defined based on the ideology which inspires and guides the government itself.

The very concept of ideology, however, is an ambiguous concept which has been defined in social sciences according to different understandings and that has been employed either in neutral or pejorative ways (McBride, 1968). In this work, ideology is defined in a general sense, according to the English Oxford Dictionary, as “a system of ideas and ideals, especially one which forms the basis of economic or politi-
According to this definition of ideology, there could be many types of governments as many are the ideologies and sub-ideologies that have been elaborated along the centuries. For the aim of the present work, the most important definition of the form of government is the one based on the source of power, notwithstanding it is also important to consider in some way the ideology behind each government.

As already pointed out, the most employed democratic indices base their definitions of democracy upon a liberal understanding of the democratic regime, and at the same time non-democracies are negatively defined and considered only as those regimes in which there is a lack of liberal democratic practices and institutions. This approach, however, is tantamount to deny the possibility that within democratic as well as within non-democratic countries there could be differences that go beyond the practices and institutions defining liberal democracies. Indeed, the government’s ideology could represent a great source of differentiation for what concerns the state’s approach toward inequality, especially but not only within non-democratic regimes.

In democratic regimes, citizens may influence the implementation of public policies, including redistributive ones, by participating in elections. Each citizen can choose which party to vote based on parties’ electoral programs, which in turn are usually sufficiently detailed to let citizens know which kind of policies they are willing to introduce, and which interests they are willing to pursue if they gain governmental power. Within non-democratic regimes, on the contrary, citizens have not the possibility to directly influence the policy mak-
ing process since policy selection and implementation are completely up to governing body. Indeed, as different parties based on specific ideologies pursue different socio-economic goals, different authoritarian regimes based on different ideological foundations tend to carry on diverse socio-economic objectives.

In particular, for the aim of the present work, it is important to stress and to consider the differences existing between rightist and leftist ideologies. As magisterially pointed out by Norberto Bobbio (1996), left and right not only indicate ideologies, they also indicate counterposed programs with respect to many social problems for which the solution pertains to the political action. According to Bobbio, the most frequently employed criterion adopted to distinguish left and right is the different attitude toward the ideals of equality and inequality. The left is tightly linked, historically, to the idea that human beings are substantially equals and that inequality is just a product of the socio-economic structures, and therefore fundamentally unjust. On the contrary, the right is linked to the opposite idea, namely that human beings are substantially unequal and therefore some levels and some forms of inequality are deemed to be just.

This ideological contrast about the nature and the justifiability of inequality indeed have implications with respect to the attitude parties and governments, either democratic or not, have toward income inequality and the implementation of redistributive policies. And since within non-democratic countries, vis-à-vis democratic ones, citizens cannot elect the political forces pursuing their preferred policies, the distinction between leftist and rightist non-democratic regimes become
particularly relevant for the present work.

2.1.3 Choosing among different measures of democracy and democratic quality

In the last decades, several democratic indices have been created and developed to allow researchers to better understand democracy and how the states’ form of government relates with other important variables. Indices such as Polity IV, Freedom House, Cheibub and Unified Democracy Scores, as it will be discussed within this section, are just few examples of the many democratic indices created so far. The task of creating an index capable of measuring the presence and the degree of democracy within a country however is not an easy task. To develop a democratic index, scholars must face a variety of difficulties, which give birth to a variety of issues from which none of the available indices is totally exempted. At theoretical level, the principal issue is the lack of a commonly accepted definition of the concept of democracy. This is of course a major problem because choosing a definition over other results in the employment of different empirical referents that represent different aspect of democracy (Coppedge, et al., 2011; Campbell & Süükösd, 2003). At methodological level difficulties range from the coding procedure that implies substantial subjective choices by the coders, to the aggregation of the data (Coppedge, et al., 2011). Lastly, some scholars have highlighted the political and ideological issues implicit in the construction of a democratic index (Giannone, 2010; Levine & Molina, 2011). According to these authors, the definition of what democracy is, which components to add to its definition, and which indicators must be
used to measure them, may be conditioned by the political and ideological background of the scholars.

As already pointed out, there exists not only one theory, concept or model of democracy but a plurality of different models and conceptualizations (Campbell, 2008). Therefore, in specifying the meaning of the concept of democracy, scholars must face the dilemma of which attributes to add and which leave aside. Of course, the choice is guided by the literature and the scope of the research, however, the selection process also implies a great level of subjectivity that cannot be avoided.

According to Munck and Verkuilen (2002) even if there are no rules to determine which attributes must be added, when defining a concept, it is important to avoid the temptation to employ maximalist or minimalist definitions. On the one side, maximalist definitions can raise the problem of the inclusion of attributes pertaining to other concepts and doing so can undermine the validity of the measurement. On the other side, the employment of minimalist definitions can raise the opposite problem, namely the failure to include all the attributes pertaining to the meaning of the concept. Hence, of course trades-off exist between the employments of these two typologies of definition. Minimalist definitions give usually strongest results in term of validity, while maximalist definitions are usually considered more satisfactory in term of reliability (Norris, 2008). Most of the existing indices of democracy have tackled this task with considerable acuity (Munck & Verkuilen, 2002) relying, with different degrees, to the influential definition proposed by Dahl (1971) in which democracy is defined by two attributes (contestation or competition, and participation or inclusion) (Munck &
Therefore, a first distinction between democratic indices can be based on the choice to employ a definition of democracy more oriented to a minimalist or a maximalist pole. The classification is based on the number and moreover the types of attributes that the indices include in their definitions of democracy. Table 2.1 reports the classification of the most used democratic indices: Bertelsmann; Boix, Miller and Rosato (BMR); Cheibub; Economist Intelligence Unit (EIU); Freedom House (FH); Global States of Democracy Indices (GsoD); Polity IV (PIV); and Unified Democracy Scores (UDS).

Table 2.1: Minimalist versus maximalist oriented classification of democracy definitions employed by the most used democratic indices

<table>
<thead>
<tr>
<th>Minimalist Oriented</th>
<th>Maximalist Oriented</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheibub</td>
<td>Economist Intelligence Unit (EUI)</td>
</tr>
<tr>
<td>Boix, Miller and Rosato (MBR)</td>
<td>Bertelsmann</td>
</tr>
<tr>
<td>Polity IV (PIV)</td>
<td>Freedom House (FH)</td>
</tr>
<tr>
<td></td>
<td>Unified Democracy Scores (UDS)</td>
</tr>
<tr>
<td></td>
<td>Global States of Democracy Indices (GSoD)</td>
</tr>
</tbody>
</table>

Source: Author’s elaboration

Most of the indices reported in Table 2.1 rely, to some extent, upon the definition of democracy proposed by Dahl (1971). On the one side, in some cases in the minimalist oriented category, we find indices such as Cheibub and BMR in which contestation and participation are the only attributes included. On the other side, in the maximalist oriented category we find indices that stretch, with different degrees, the definition of democracy by including several attributes that would not
be immediately linked to the meaning of the concept. For instance, FH and Bertelsmann include in their definition some attributes that seem to pertain to concepts different from democracy. FH includes attributes such as “socioeconomic rights”, “freedom from gross socioeconomic inequalities”, and “freedom from war”. Bertelsmann includes the attribute of “political and social integration” in which components such as the development of social capital are considered. Table 2.2 reports the detailed composition of all the democratic indices considered.
Table 2.2: Detailed composition of the democratic indices considered

<table>
<thead>
<tr>
<th>Name</th>
<th>Attributes</th>
<th>Composition</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>EIU</td>
<td>- Electoral process and pluralism</td>
<td>- 12 components</td>
<td>Economist Intelligence Unit (2014)</td>
</tr>
<tr>
<td></td>
<td>- Functioning of government</td>
<td>- 14 components</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Political participation</td>
<td>- 9 components</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Democratic political culture</td>
<td>- 8 components</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Civil liberties</td>
<td>- 17 components</td>
<td></td>
</tr>
<tr>
<td>Cheibub</td>
<td>- Contestation</td>
<td>- 2 components</td>
<td>Cheibub et al. (2010)</td>
</tr>
<tr>
<td></td>
<td>- Participation</td>
<td>- 2 components</td>
<td></td>
</tr>
<tr>
<td>Bertelsmann</td>
<td>- Stateness</td>
<td>- 4 components</td>
<td>Stiftung (2014)</td>
</tr>
<tr>
<td></td>
<td>- Political Participation</td>
<td>- 4 components</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Rule of law</td>
<td>- 4 components</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Stability of democratic institutions</td>
<td>- 2 components</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Political and social integration</td>
<td>- 4 components</td>
<td></td>
</tr>
<tr>
<td>BMR</td>
<td>- Contestation</td>
<td>- 2 components</td>
<td>Boix et al. (2013)</td>
</tr>
<tr>
<td></td>
<td>- Participation</td>
<td>- 1 components</td>
<td></td>
</tr>
<tr>
<td>FH</td>
<td>- Political liberties</td>
<td>- 9 components</td>
<td>Gastil (1991)</td>
</tr>
<tr>
<td></td>
<td>- Civil liberties</td>
<td>- 13 components</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Balance of powers</td>
<td>- 3 components</td>
<td></td>
</tr>
<tr>
<td>UDS²</td>
<td>- Arat, BLM, Bollen, FH, Hadenius, PALC, PIV,</td>
<td>- Each component</td>
<td>Pemstein et al. (2010)</td>
</tr>
<tr>
<td></td>
<td>Poliarchy, PRC, Vanhanen</td>
<td>included in each</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>democratic index</td>
<td></td>
</tr>
<tr>
<td>GSoD</td>
<td>- Representative Government</td>
<td>- 8 components</td>
<td>International IDEA (2017)</td>
</tr>
<tr>
<td></td>
<td>- Fundamental Rights</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Checks on Government</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Impartial Administration</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Participatory Engagement</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author’s elaboration

²The measure was drawn from the following sources: Arat (2003); Bowman, Lehoucq, and Mahoney (2005); Bollen (2001); Freedom House (2017); Hadenius (1992); Przeworski et al. (2000); Cheibub, Gandhi, and Vreeland (2010); Marshall, Jaggers, and Gurr (2006); Coppedge and Reinicke (1991); Gasiorowski (1996); Reich (2002); and Vanhanen (2004).
When a definition is settled, and each attribute and component has been decided, the second step to follow for elaborate a democratic index is the selection of indicators capable to measure the intended characteristics. As pointed out by Bollen (1989), even when a concept is correctly specified the components at the lower level of abstraction are rarely observable themselves, and for this reason it is necessary to form measurement models transforming unobserved “latent variables” to observable variables or indicators.

Sometimes, especially in social sciences, there are concepts that embed characteristics that are not directly observable. Without entering into the details of the coding process of each democratic index considered here it is worthy to stress that, even if carried out according to the insights provided by the literature, also the coding process and the aggregation of data that follow the selection of indicators imply a great level of subjectivity by the scholars. Likewise, the subjectivity issues can occur with respect to the information used to derive the measures. Scholars can gather information through objective facts (events the occurrence of which are not difficult to ascertain) and observational criteria (the analysis of official document such as the constitutions), or through subjective evaluations (Cheibub, et al., 2010).

The subjectivity issues can be mitigated by employing rigorous, transparent, and public coding rules, allowing the community of scholars to scrutinize and challenge the choices that shape the generation of data (Munck & Verkuilen, 2002). Unfortunately, not all the democratic indices do make public their coding procedure and the sources from which data are generated, or they do it only in part. Table 2.3 shows
the classification of the indices analyzed with respect to their coding transparency.

Table 2.3: Indices’ classification of the coding system’s transparency

<table>
<thead>
<tr>
<th>Name</th>
<th>Coding Transparency</th>
</tr>
</thead>
<tbody>
<tr>
<td>EIU</td>
<td>Transparent</td>
</tr>
<tr>
<td>Cheibub</td>
<td>Transparent</td>
</tr>
<tr>
<td>Bertelsmann</td>
<td>Transparent</td>
</tr>
<tr>
<td>BMR</td>
<td>Not Transparent</td>
</tr>
<tr>
<td>FH</td>
<td>Not Transparent</td>
</tr>
<tr>
<td>PIV</td>
<td>Transparent</td>
</tr>
<tr>
<td>UDS</td>
<td>Partially Transparent</td>
</tr>
<tr>
<td>GSoD</td>
<td>Transparent</td>
</tr>
</tbody>
</table>

Source: Author’s elaboration

A democratic index is classified as “Transparent” if it employs objective indicators and measurements or if it makes public the entire system of scores used to generate the index, as well as all the disaggregated data (as for instance the case of the Bertelsmann index or the PIV index). On the contrary, a democratic index is classified as “Not Transparent” if it completely relies on experts’ judgments and it does not make public its scoring system, or if its scoring system allows for high subjectivity and it provide just aggregated data. For instance, FH is classified as “Not Transparent” because on the one side it only relies on experts’ judgments, and on the other side its scoring system aggregates the attribute’s sub-components scores, without guiding the experts in the assignment of every single sub-component composing the attribute.

An exception is represented by the UDS that is generated aggregating ten of the most employed democratic indices, and it is classified
as partially transparent since on the one side it makes public the process of creation of the index but, on the other side, it incorporates indices that are coded in a non-transparent way.

Once the concept of democracy is defined and operationalized, the indicators selected, and the coding rules settled, the following step in the construction of a democratic index is the formation of the sample, operation that is influenced by different factors.

Firstly, the samples’ construction depends on the availability of data, which in turn, on the one hand depends on the conceptualization and operationalization of the concept of democracy and, on the other hand, on the selection of indicators and the coding rules settled to assign the scores. Employing maximalist definitions of democracy, and so increasing the number of attributes defining the concept, can reduce the possibility to find or collect data. Similarly, the choice to rely on objective indicators instead of expert’s judgment can reduce the availability of data, excluding from the sample those countries for which required data are not available.

Secondly, the selection of the sample depends on the scope of the index and the aim of the scholars who develops it. For instance, an index can have a smaller sample than another if its scope is to analyze countries pertaining to a specific region, having a certain level of economic development, or sharing some other characteristics.
Table 2.4: Democratic indices coverage

<table>
<thead>
<tr>
<th>Index</th>
<th>N of Countries (and territories)</th>
<th>Covered Years</th>
<th>Range Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheibub</td>
<td>202</td>
<td>1946 - 2008</td>
<td>0</td>
</tr>
<tr>
<td>BMR</td>
<td>221</td>
<td>1800 - 2015</td>
<td>0</td>
</tr>
<tr>
<td>EIU</td>
<td>167</td>
<td>2006 - 2017</td>
<td>+1</td>
</tr>
<tr>
<td>Bertelsmann</td>
<td>129</td>
<td>2006 - 2014 (biennial)</td>
<td>+1</td>
</tr>
<tr>
<td>FH</td>
<td>225</td>
<td>1972 - 2018</td>
<td>+7</td>
</tr>
<tr>
<td>PIV</td>
<td>194</td>
<td>1800 - 2017</td>
<td>-10</td>
</tr>
<tr>
<td>UDS</td>
<td>199</td>
<td>1946 - 2012</td>
<td>-2.2</td>
</tr>
<tr>
<td>GSoD</td>
<td>155</td>
<td>1975 - 2015</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Source: Author’s elaboration

For these reasons, the samples of the different democratic indices (Table 2.4) consistently vary both in term of space and time. With respect to the number of countries (and territories) included, the samples vary from 155 countries of the Global States of Democracy Indices, to 221 countries (and territories) of the BMR Index, with intermediate sized samples such as the Bertelsmann Index which, focusing its analysis only toward developing countries, includes 129 countries.

Similarly, with respect to the covered years, while some indices such as PIV and BMR cover a long time-frame comprised between 1800 and respectively 2017 and 2015, other democratic indices such as the EIU and the Bertelsmann cover a more modest time-frame.

Lastly, it is worthy to note that existing indices consistently vary also with respect to the scale employed to classify the polities considered (Table 2.4 – column 4). The selection of the scale, which usually
occur in conjunction with the development of the coding rules, similarly to the selection of the sample is considerably conditioned by scholars’ scopes and aims. If the scope is only to assess if a certain country is democratic or not, one can simply adopt a dummy codification so that a country is coded as 1 if it is democratic or as 0 if it is not. This is the case of the BMR, and the Cheibub democratic indices. If the scope is, instead, not only to classify a polity as democratic or non-democratic but also to assess the degree of democracy (and non-democracy) within a polity, then one must employ a numeric scale either discrete or continuous which allow to better distinguish cases pertaining the same category.

As discussed, existing democratic indices considerably vary in terms of concept definition and operationalization, construction’s transparency, composition and size of the sample, and measurement scales employed. Notwithstanding, at an aggregate level the indices considered show a high correlation, and a high agreement in classifying a polity as a democracy or an autocracy. For the derivation of the correlation coefficients, two different calculus have been performed, a first for the indices having a measurement scale and a second for the dummy indices. How shown by Table 2.5, the correlation among the indices considered vary among the different couples of indices, but it results relatively high in all the cases. In fact, it ranges from a minimum of 0.835 between the Bertelsmann and the PIV democratic indices, to a maximum of 0.949 between the FH and the UDS, and the EIU and the UDS democratic indices.
Table 2.5: Correlation matrix of the considered democratic indices for the years 2006-2008

<table>
<thead>
<tr>
<th>Democratic indices with measurement scales</th>
<th>PIV</th>
<th>UDS</th>
<th>Bertelsmann</th>
<th>FH</th>
<th>EIU</th>
<th>GSoD</th>
</tr>
</thead>
<tbody>
<tr>
<td>PIV</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UDS</td>
<td>0.919</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bertelsmann</td>
<td>0.835</td>
<td>0.922</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FH</td>
<td>-0.873</td>
<td>-0.949</td>
<td>-0.940</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EIU</td>
<td>0.854</td>
<td>0.949</td>
<td>0.907</td>
<td>-0.909</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>GSoD$^3$</td>
<td>0.858</td>
<td>0.905</td>
<td>0.855</td>
<td>-0.894</td>
<td>0.856</td>
<td>1.000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dummy democratic indices</th>
<th>Cheibub</th>
<th>BMR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheibub</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>BMR</td>
<td>0.911</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Source: Author’s elaboration. The correlation has been performed on 458 observations for which data were available for all the indices.

However, a different picture appears when one scrutinizes the democratic indices at a more disaggregated level. When the indexes are evaluated more closely, some of those created to measure not only the presence but also the quality of democracy within a country present issues that must be considered when choosing the index to employ in an empirical analysis. The first concerns the rating of single countries over time, while the second concerns the rating of different countries in a same year. These issues are both conceptual and methodological.

$^3$The correlation for the GSoD have been calculated for the index “Representative Government”.
and can undermine the results obtained when they are used for analyzing the democratic phenomena, and how democracy relates with other variables.

Concerning the rating of a single country over time, whichever measurement scale one chooses to employ, there is the need to set up a minimum and a maximum value. For minimum value, in this context, we refer to that value below which a country cannot be considered as an actual democracy.

From a conceptual perspective, while the setting up of the minimal requirements a country must meet in order to be considered democratic do not present considerable problems, to set up a fixed maximum value for the level of democracy can be problematic, and conceptually misleading. The literature mostly agrees on a minimal definition of democracy, which is fundamental to gauge the shift of a country from a non-democratic to a democratic form of government, and the literature provides insightful help. As mentioned above (Chapter 2.1.1), according to Morlino (2004), for instance, to be considered democratic, a regime must have at least the following characteristics: male and female universal suffrage; free, competitive, recurrent and fair elections; more than one party; various and alternative forms of information.

On the contrary it does not exist any similar definitive maximal definition, and indeed it is not easy, nor it is desirable, to fix once for all a maximum level for democracy. Of course, there are various normative maximal definitions of democracy, but they are intellectual exercises that often cannot be translated in term of quantitative variables. In term of rights or democratic procedures, assuming a maximum
means that the final level of democracy can be dictated in advance and this is quite much against the very nature of democracy, which on the contrary should be interpreted as an open system able to identify new challenges, and to achieve new targets (Archibugi 2008; Archibugi & Cellini, 2015).

Even from a methodological perspective, to fix a democratic climax can represent a serious issue, but this seems to be ignored by most democratic indices. Democratic indices such as FH and PIV, are calculated year by year and constructed as panel datasets. In such a contest, if a maximum democratic value is fixed in a certain year, according to certain parameters, when a country reaches that value there is no more room for improve it. For instance, if one calculates a democratic index with a sample $N$ for a time-frame from 1990 to 2010, employing a scale ranging from 1 (fully non-democratic) to 10 (fully democratic), and one fixes the maximum level of democracy once for all, those countries that in 1990 received a score of 10 could not improve their rating in the following years, even in the case the actual level of democracy would increase. But since rights as well as democratic procedures can always improve without an actual limit, there is the real possibility that a country that scored 10 in 1990 will improve its level of democracy without having track of it.

Ignoring this issue can considerably affect the results when one employs the indices in order to study the relation between the level of democracy and other variables such as the level of economic development, the level of income inequality, the level of environmental care, and so on. Quantitative analysis can be constructed, according to the
focus of the research, in order to study a certain relation within a single country over time, or more likely to analyze simultaneously a relation within a sample of countries over time. In all these cases, if the differences in the level of democracy, between different states, as well as over the years within a single state, are not carefully evaluated, the results obtained from the employment of the indices will produce biased results, because they will tend to underestimate, overestimate, or not estimate at all the effect of the quality of democracy on other variable, or the effect of other variable on the quality of democracy.

Looking at the data provided by the different indices considered one can find that often they suffer from the issue highlighted, in fact, in many cases, the rating assigned to a country along the time does not vary for very long periods. This happens with various countries (in particular with western consolidated democracies), but a curious and paradigmatic case is that of United States (US) reported in Figure 2.1.
Let’s consider the question more closely. PIV, for instance, with his data affirms that US was a full democracy yet in 1809, and that from 1873 to 2016 the quality of American democracy did not make any improvement (FH affirms the same for the period between 1972 to 2016). But, are those claims supported by objective facts? The answer to this question should probably be negative, and the reason must be found primarily in the differences between the past and present level of political and civil rights.

In 1810, slavery in US was still a present phenomenon; it ended only after the conclusion of the civil war, when president Lincoln promulgated the Emancipation Proclamation (1863) and the Thirteen amendment to the Constitution (1865) that formally outlawed slavery in the
Country (Walvin, 2014). However, even if slavery was banned and racial segregation formally prohibited, southern states followed to apply racial segregation norms and by the late 1880s segregation was a solid institution in most of them. In 1896 the American Supreme Court sustained the legitimacy of the segregation norms in the state of Louisiana. Looking at a recent history, Massey and Denton (1988) published a research in which emerged that some form of segregation, in the form of what they called hyper segregation, was still in effect at the time of their study.

A similar discourse can be made for woman’s political rights since woman’s suffrage, for instance, was formally introduced in the US constitution only in 1920. Similarly, other civil rights such as the right to divorce have followed an evolution that cannot be left aside when evaluating the level of civil rights of a country throughout the time.

Following these considerations, it appears evident the error to classify US as a full democracy since 1810 while, because at least until 1920 it did not meet neither the requirements needed to be considered a minimal democracy, and even after the suffrage became universal, American democracy as well as American democratic procedures, and political and civil rights continued to evolve.

But the issue of the rating of a single country over time is not the only concern when dealing with democratic indices. The problem to set up a maximum level of democracy, once for all, also has the disadvantage of not allowing a correct assessment of the different levels of democracy among countries pertaining to the fully democracy category. Assessing the level, or the quality, of democracy in a cross-national
perspective should imply the evaluation of the differences not only between non-democratic and democratic countries, but also among countries pertaining to the same category.

Looking more closely at the indices considered, one can find that the evaluation of single countries, in a cross-national perspective, does not consider appropriately the differences in the levels of democracy among countries pertaining to the same category, again, especially for what concerns fully consolidated western democracies. Table 2.6 reports the countries to which the indices assigned the maximum score in the year 2008.

Table 2.6: Countries that have achieved the maximum score in the year 2008

<table>
<thead>
<tr>
<th>PIV</th>
<th>UDS</th>
<th>Bertelsmann</th>
<th>FH</th>
<th>EIU</th>
<th>GSoD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>Denmark</td>
<td>Costa Rica</td>
<td>Andorra</td>
<td>Denmark</td>
<td>Costa Rica</td>
</tr>
<tr>
<td>Austria</td>
<td>Finland</td>
<td>Czech Republic</td>
<td>Australia</td>
<td>Iceland</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>Canada</td>
<td>Iceland</td>
<td>Estonia</td>
<td>Austria</td>
<td>Netherlands</td>
<td>United States</td>
</tr>
<tr>
<td>Cape Verde</td>
<td>Netherlands Slovenia</td>
<td>Belgium</td>
<td>Norway</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chile</td>
<td>Norway</td>
<td>Uruguay</td>
<td>Bahamas</td>
<td>Sweden</td>
<td></td>
</tr>
<tr>
<td>Costa Rica</td>
<td>Sweden</td>
<td>Barbados</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Continued on next page
<table>
<thead>
<tr>
<th>PIV</th>
<th>UDS</th>
<th>Bertelsmann</th>
<th>FH</th>
<th>EIU</th>
<th>GSoD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cyprus</td>
<td>Switzerland</td>
<td></td>
<td>Canada</td>
<td></td>
<td></td>
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<tr>
<td>Denmark</td>
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<td>Cape</td>
<td>Verde</td>
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<td>Finland</td>
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<td>Chile</td>
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<tr>
<td>Germany</td>
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<td>Costa</td>
<td>Rica</td>
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<tr>
<td>Greece</td>
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<td>Cyprus</td>
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<tr>
<td>Hungary</td>
<td></td>
<td>Denmark</td>
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<tr>
<td>Ireland</td>
<td></td>
<td>Czech</td>
<td>Republic</td>
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<tr>
<td>Italy</td>
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<td>Finland</td>
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<td>Japan</td>
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<td>Dominica</td>
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<tr>
<td>Lithuania</td>
<td></td>
<td>Germany</td>
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<tr>
<td>Luxembourg</td>
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<td>Estonia</td>
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<td>Mauritius</td>
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<tr>
<td>Portugal</td>
<td></td>
<td>Luxembourg</td>
<td></td>
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Continued on next page
<table>
<thead>
<tr>
<th>PIV</th>
<th>UDS</th>
<th>Bertelsmann</th>
<th>FH</th>
<th>EIU</th>
<th>GSoD</th>
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<tr>
<td>Slovakia</td>
<td>Kiribati</td>
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</tr>
<tr>
<td>Slovenia</td>
<td>St. Kitts</td>
<td>and Nevis</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Spain</td>
<td>St. Lucia</td>
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<td>Liechtenstein</td>
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<td>Netherlands</td>
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<tr>
<td>Taiwan</td>
<td>Marshall</td>
<td>Islands</td>
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<tr>
<td>Trinidad and Tobago</td>
<td>Malta</td>
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<td>Spain</td>
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Table 2.6 – continued from previous page

<table>
<thead>
<tr>
<th></th>
<th>PIV</th>
<th>UDS</th>
<th>Bertelsmann</th>
<th>FH</th>
<th>EIU</th>
<th>GSoD</th>
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<td>Uruguay</td>
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</tbody>
</table>

Source: Author’s elaboration

From Table 2.6, we can see how both PIV and FH, in the year considered, assigned the maximum score to countries that are very different among them. But is their level of democracy really the same? To answer this question, one must look more closely to specific countries. In doing so, we will not consider any single country on the table, instead, we will select two countries present in in most of the samples of the indices considered: US and Sweden. In addition, we will not consider here all the variables considered by the two indexes because it would be a superfluous work. After all, even if a single indicator would show little accuracy in differentiating the scores of consolidated democracies,
it would be sufficient to question the accuracy of the entire index. For this reason, I will focus on an aspect included in most of the indices considered, namely the guarantee of civil liberties.

To assess the possible differences in the level of civil rights guaranteed in US and Sweden, I rely on data provided by Cingranelli, Richards, and Clay (2014) in their Human Rights Data Project. In their dataset, throughout the employment of different sources, such as the US State Department Country Reports on Human Rights Practices, and Amnesty International reports, they coded the level of protection of a series of civil rights, among which: unlawful deprivation of life; disappearance; torture; freedom of speech and press; freedom of religion; freedom of domestic movement; freedom of foreign movement and travel; freedom of assembly and association; worker’s rights; women’s economic rights; women’s social rights. Table 2.7 reports the score of any indicator, for US and Sweden, for the year 2008.
Table 2.7: Sweden-United States comparison of the Human Right Data Project scores for the year 2008

<table>
<thead>
<tr>
<th>Civil Rights</th>
<th>Sweden</th>
<th>USA</th>
<th>Score’s Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical integrity right</td>
<td>7</td>
<td>6</td>
<td>0-8</td>
</tr>
<tr>
<td>Forced disappearance</td>
<td>2</td>
<td>2</td>
<td>0-2</td>
</tr>
<tr>
<td>Extrajudicial killing</td>
<td>2</td>
<td>1</td>
<td>0-2</td>
</tr>
<tr>
<td>Torture</td>
<td>1</td>
<td>1</td>
<td>0-2</td>
</tr>
<tr>
<td>Freedom of assembly and association</td>
<td>2</td>
<td>2</td>
<td>0-2</td>
</tr>
<tr>
<td>Freedom of foreign movement</td>
<td>2</td>
<td>1</td>
<td>0-2</td>
</tr>
<tr>
<td>Freedom of domestic movement</td>
<td>2</td>
<td>2</td>
<td>0-2</td>
</tr>
<tr>
<td>Freedom of speech</td>
<td>1</td>
<td>2</td>
<td>0-2</td>
</tr>
<tr>
<td>Freedom of religion</td>
<td>1</td>
<td>1</td>
<td>0-1</td>
</tr>
<tr>
<td>Worker’s rights</td>
<td>1</td>
<td>1</td>
<td>0-3</td>
</tr>
<tr>
<td>Women’s economic rights</td>
<td>3</td>
<td>2</td>
<td>0-3</td>
</tr>
<tr>
<td>Women’s social rights</td>
<td>3</td>
<td>2</td>
<td>0-3</td>
</tr>
</tbody>
</table>

Total 27 23 (max.) 32

Source: Author’s elaboration on data provided by Freedom House (2017), and Cingranelli, Richards, and Clay (2014)

Data show that, even being coded as two fully democratic countries, Sweden and US differ about the level of protection of certain civil rights. In particular, US results weaker for what concerns the protection of the physical integrity right, the freedom of foreign movement, freedom from extrajudicial killing, worker’s rights and woman’s social and economic rights. Calculating the total of the scores for the two countries analyzed, we can see how, in the year 2008, Sweden received a total score of 27 while US a total score of 23. Therefore, if social rights are considered in the assessment of the level of democracy, appears obvious that Sweden, in 2008, should have received a higher score than US.
This simple analysis seems to confirm the concerns about the little accuracy with which some of the democratic indices assess the differences in the level of democracy between democratic countries. And as in the case of the failing to address the evolution of a democracy over the time, the consequence is that employing such a biased data, in whichever quantitative analysis, would return biased results. As expected, the indices adopting a discrete measurement scale are more affected by these issues since the discrete scale allow for a minor differentiation, however, even the indices employing a continuous scale have the tendency to fix a maximum level of democracy in a given year and therefore are often not exempted from this kind of issues.

Since the aim of this work is to assess the relation between the regime type of a state and its levels of inequality, but also the different effects that different degrees of democracy and non-democracy may have on inequality and vice versa, I will mainly employ a maximal definition of democracy. Therefore, within this work, in principle I will consider democratic those regimes that meet the characteristics of a minimal democracy as identified by Morlino (2005) and reported in Chapter 2.1.1. But beyond that I will also consider the quality of the regime based on characteristics such as the respect for civil liberties, gender equality and participatory engagement. As regimes’ measurements, for different purposes, I will employ different democratic indices: The UDS, the PIV index of democracy, and the GSoD.

The UDS, employed as the principal indicator of democratic quality, as already mentioned is a democratic index that merges and harmonizes ten of the most employed democratic indices available, by em-
ploying a Bayesian latent variable approach\textsuperscript{4}. Merging several datasets the UDS does not employ a single definition of democracy, rather it uses a democratic definition that could be considered the sum of the definitions used by the indices it incorporates. However, since it includes indices oriented toward a maximal definition of democracy, it could be considered an index employing a maximalist oriented definition. The main advantage of the UDS is to avoid the arbitrary decision of choosing a democratic index over another, in favour of a cumulative approach allowing to simultaneously leverage the measurement efforts of different scholars.

The PIV is a well-known democratic index, and it has widely employed by social scientists to study the relation between democracy and other social and economic variables. PIV, here, is used mainly to control the results obtained by the employment of the UDS. According to the PIV index:

\textit{“Democracy is conceived as three essential, interdependent elements. One is the presence of institutions and procedures through which citizens can express effective preferences about alternative policies and leaders. Second is the existence of institutionalized constraints on the exercise of power by the executive. Third is the guarantee of civil liberties to all citizens in their daily lives and in acts of political participation. Other aspects of plural democracy, such as the rule of law, systems of checks and balances, freedom of the press, and so on are means to, or specific manifestations of, these general principles. We do not include}

\textsuperscript{4}For the complete list of the indices employed and for the methodology use to merge and harmonize them, see: Pemstein, Meserve, and Melton, 2010.
coded data on civil liberties.” (Marshall, Gurr & Jaggers, 2016).

Therefore, PIV employs a democratic definition that can be considered minimal-oriented, and mainly procedural. As previously discussed, PIV index presents some problem that should be kept in mind when one employs it in quantitative analysis. At the same time, however, it also presents some advantages, the principal of which is the great extension of the dataset in terms of both time and space. The sample of the Polity index of democracy, in fact, includes more than 160 countries, covering a time-frame that spans from 1800 to present days.

The GSoD indices, instead, is a set of different indices elaborated by the International Institute for Democracy and Electoral Assistance (IDEA) (2017). The objective behind the GSoD is “to provide systematic and nuanced data that captures trends at the global, regional and national levels related to International IDEA’s comprehensive understanding of democracy” (Skaaning, Jimenez, Noonan & Tufis, 2017). Therefore, rather than creating a single score overarching democracy index per country, the GSoD indices provide measurements of distinct aspects of democracy, which are emphasized by one or more major traditions within democratic thought.

The GSoD includes indices and sub-indices for five attributes of democracy: i) representative government; ii) fundamental rights; iii) checks on government; iv) impartial administration; and v) participatory engagement. As it immediately stands out, the GSoD adopts a maximal definition of democracy, based either on procedures, content and results. As other democratic measurement, the GSoD have some limitation, for instance its data came back only to 1975, and it codes its variables based
also on subjective evaluations. However, it is important to stress that it presents an important advantage when employed to assess the relation of the regime of a state with other variables and phenomenon: providing different indices for different characteristics of democracy, it allows to assess how each characteristic influences the variables studied.

For what concerns the definition of regime type as ideology instead, as discussed more thoroughly in Chapter 7.3, I will employ a simple dummy variable classifying each country’s government for each year considered as leftist of rightist oriented.

2.2 Conceptual and operative definitions of inequality

2.2.1 What is inequality?

According to the Oxford Dictionary of English, in its broader sense the term inequality indicates a difference in size, degree or circumstances among two or more subjects (Stevenson, 2010). Putting it differently, it means lack of equality. Contrarily to the concept of democracy, in principle the concept of inequality has a clear and straight significance. However, beyond the general meaning, in social science the noun inequality is generally preceded (or followed) by other nouns that qualify the typology of inequality one is considering. Depending of the noun preceding (or following) the word inequality, one can form several distinct concepts: political inequality, gender inequality, income inequality, economic inequality, social inequality, and so forth. Therefore, it is useful to define the concept of inequality I will employ before
proceeding with the present work, making clear what I will consider when I speak about inequality.

Within this work, I will address inequality within countries by focusing on inequality of income. Indeed, it is important to stress that income inequality is not the only mean through which assess inequality within countries and maybe, theoretically, it is not even the more correct. Amartya Sen (1992), among others, criticized the economists’ tendency of focusing merely on the measurement of income inequality since this approach would imply to focus the attention only toward inequality of results, leaving completely unexplored inequality of opportunities. Inequality of results is interpreted as the difference in the results obtained by individuals that are basically unequal, namely that have different factors such as physical or intellectual characteristics, for example, individual talent. Inequality of opportunities occurs when individuals do not have access to the same possibilities, and it is normally associated with a lack of fairness and social justice. Phrasing it differently, inequality in opportunities means that, although individuals are essentially equal, they do not have the same resources to pursue their own well-being. The motivations at the basis of the research on inequality of opportunities derived from the intuition of a fundamental issue, namely that the importance of income is instrumental and context contingent rather than intrinsic and categorical.

Inequality of opportunities are usually considered in some way more intolerable than inequality of results. Equality of opportunity literature, in fact, points out how the source of opportunities is what really matters from an ethical point of view (Roemer & Trannoy, 2015).
However, as pointed out by Okun (1975) the concept of inequality of opportunities is way more elusive than that of inequality of income, and it poses serious problems when one tries to measure it. Of course, the difficulties and issues of the task have not stopped researcher to try to conceptualize and measure inequality of opportunities.

An interesting work trying to quantify inequality in this sense is the Inequality-adjusted Human Development Index (IHDI), created by Mahbub ul Haq in the framework of United Nations Development Programme. The IHDI is based on the Human Development Index (HDI), a composite index that include country-level variables such as life expectancy, education and per capita income. Both HDI and IHDI are based on Sen’s work, in particular on the concept of capabilities. The IHDI accounts for the degree of development a human being can reach by considering the opportunities a person has to do desirable thing in life once inequality is included, therefore in some sense it can be considered an index measuring inequality of opportunities across countries. The HDI, however, has been strongly criticized on several grounds, both theoretically and statistically (Wolff, Chong & Auffhammer, 2011).

For all these reasons I will employ a purely economic definition of inequality. In economic terms, inequality can be defined at least in two main different ways: income inequality, and wealth inequality. The first is a measure of the flows of individual incomes, while the second is a measure of the stocks of individual wealth.

In general terms, income inequality can be defined as the differences in the levels of income among different considered units, usually households. More specifically, income inequality can be divided in two
typologies, pre-tax and post-tax. Pre-tax and post-tax income inequality. Pre-tax inequality is defined as the differences of income among the considered units before the payment of taxes and the receiving of transfers, while post-tax inequality is the difference of income after the payment of taxes and the receiving of transfers. Depending on the type of analysis one would carry out, it will be more appropriate to employ the former or the latter. Wealth inequality, instead, can be defined as the differences of wealth among the considered units, where wealth is not only defined as the income gained by the unit in a certain year, but also as the unit’s savings, investments, and property holding (Okun, 1975).

Put it differently, wealth is usually defined as the sum of financial and non-financial assets owned by the considered unit minus their financial liabilities (Alvaredo, et al., 2017).

Within this work, when not otherwise specified, I will employ the terms inequality and income inequality alike, to indicate the inequalities of income post taxes and transfers within the population of a given country. The choice to employ such a definition of inequality is that, considering inequality only once citizens have paid taxes and have received income transfers allows to take into account the redistributive effects of governments.

### 2.2.2 Choosing among different datasets measuring income inequality

To measure income inequality, I will employ the well-known GINI coefficient. Elaborated by the Italian statistician Corrado Gini (1912), the GINI coefficient (or GINI Index) is a measure of the inequality of a
certain distribution, and it is widely employed as a concentration index to measure inequality within the distribution of income or wealth. The GINI coefficient can be used to measure inequality of income or wealth within different distributions, for instance it can be used to measure income inequality within a country or across countries. The coefficient takes the form of a number comprised between 0 and 1 (or sometimes between 0 and 100), where 0 and 1 correspond respectively to a completely equal and a completely unequal distribution.

The GINI coefficient is usually based on the mathematical concept of the Lorenz Curve (Lorenz, 1905) of the distribution plotting the proportion of the total income cumulatively earned by the population considered, and it is related to the area comprised between the 45 degrees line representing a perfect distribution, namely a distribution in which all units (individuals or households) have the same share of income. The GINI coefficient can be defined as the ratio of the area lying between the line of equality and the Lorenz curve over the total area under the line of equality (Figure ), so as that: $G = \frac{A}{(A + B)}$. 

$\text{Figure }$
The derivation of the GINI index is well codified and accepted by the entire scientific community, and there are several different datasets available for cross-national and over-time analysis. Unfortunately, due to differences in the population covered, the geography, the unit of analysis, the scale of equivalence employed, and the definition of welfare and other items, most of the data are not comparable among them (Solt, 2016), so as that deciding which database on Gini to employ, one faces a trade-off between coverage and comparability. On the one side one can find datasets providing a very high level of data comparability both
among countries and years but covering very small samples. On the other side, one can find datasets covering large samples both in terms of time and space but providing less comparable data.

Among the cross-country Gini datasets currently available some of the most employed in the empirical research are: The European Union Statistics on Income and Living Conditions (EU-SILC) provided by the Eurostat, the All the Ginis (ATG) dataset presented in Milanovic (2016), the World Development Indicators (WDI) provided by the World Bank Group, the Estimated Household Income Inequality Data Set (EHII) produced by the University of Texas, the Luxembourg Income Study Database (LIS) provided by the LIS Cross-National Data Center in Luxembourg, the Standardized World Income Inequality Database (SWIID) compiled by Frederik Solt, and the Income Distribution Database (IDD) produced by the Organisation for Economic Co-operation and Development (OECD). Table 8 presents a summary of the relevant characteristics of the Gini data provided by the different datasets.
<table>
<thead>
<tr>
<th>Dataset</th>
<th>Country/year Observations</th>
<th>Years Covered</th>
<th>Countries Covered</th>
<th>Welfare Definition</th>
<th>Equivalence Scale</th>
<th>source</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU-SILC</td>
<td>545</td>
<td>1995 - 2017</td>
<td>34</td>
<td>Equivalized net household income</td>
<td>Modified OECD scale&lt;sup&gt;5&lt;/sup&gt;</td>
<td>Eurostat (2017)</td>
</tr>
<tr>
<td>ATG</td>
<td>2218</td>
<td>1950 - 2012</td>
<td>166</td>
<td>Income or expenditures, net or gross</td>
<td>No equivalence scales</td>
<td>Milanovic (2016)</td>
</tr>
<tr>
<td>WDI</td>
<td>1372</td>
<td>1979 - 2016</td>
<td>164</td>
<td>Variation of per capita income and consumption, depending on country</td>
<td>Per capita household income or consumption expenditure adjustment&lt;sup&gt;6&lt;/sup&gt;</td>
<td>World Bank (2017)</td>
</tr>
<tr>
<td>LIS</td>
<td>286</td>
<td>1967 - 2016</td>
<td>49</td>
<td>Equivalized household income and per capita income (market and net income) household’s members</td>
<td>Square root of the number of household’s members</td>
<td>Milanovic (2016)</td>
</tr>
<tr>
<td>SWIID</td>
<td>5145</td>
<td>1960 - 2017</td>
<td>192</td>
<td>Standardized adult-equivalent household, market and net income, using 13 combination of welfare definition and equivalence scale&lt;sup&gt;7&lt;/sup&gt;</td>
<td></td>
<td>Solt (2016)</td>
</tr>
</tbody>
</table>

Source: Author’s elaboration

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<sup>5</sup>The modified OECD scale attributes a weight of 1.0 to the first adult in the household, a weight of 0.5 to each subsequent member of the household aged 14 and over, and a weight of 0.3 to household members aged less than 14.

<sup>6</sup>WDI uses per capita household income or consumption expenditure. In other words, every household member is assigned an equal share of household income or consumption, regardless of their age, and ignoring economies of scale.

<sup>7</sup>See Solt, 2016.
As shown in Table 2.8, the data on Gini of the considered databases consistently vary in terms of countries and years covered, as well as in terms of data comparability. In terms of sample size, on the one side the EU-SILC, the LIS and the IDD cover small samples providing a small number of country/year observations, respectively 545, 286 and 340. On the other side, the ATG, the WDI, the EHII, and the SWIID cover a large sample providing a rather large number of country/year observations, respectively 2218, 1372, 3872, and 5145. While in terms of comparability, data differ about the equivalence scale employed as well as the unit of analysis they refer to. However, notwithstanding all the differences, the Ginis considered show a high degree of agreement on the evaluation of income inequality within countries and year. Table 2.9 reports the correlation matrix between the Gini indices considered and shows how the correlation coefficients between the indices take on average quite high values, ranging from 0.538 between the EHII and the WDI, to 0.981 between the LIS and SWIID. Indeed, the differences can be explained by the differences in the characteristics reported in Table 2.8, such as the employment of different definition of welfare and different equivalence scales.

8Due to the great differences of coverage in terms of time and space, to increase the number of observations for each computation the correlation has been computed separately for each pair of indices. Each correlation, therefore, is calculated on a different number of observations.
Table 2.9: Correlation matrix of the considered Gini indices

<table>
<thead>
<tr>
<th>Gini Indices</th>
<th>EU-SILC</th>
<th>ATG</th>
<th>WDI</th>
<th>EHII</th>
<th>LIS</th>
<th>SWIID</th>
<th>IDD</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU-SILC</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ATG</td>
<td>0.860</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WDI</td>
<td>0.908</td>
<td>0.948</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EHII</td>
<td>0.602</td>
<td>0.605</td>
<td>0.538</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LIS</td>
<td>0.855</td>
<td>0.971</td>
<td>0.985</td>
<td>0.768</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SWIID</td>
<td>0.931</td>
<td>0.844</td>
<td>0.899</td>
<td>0.721</td>
<td>0.981</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>IDD</td>
<td>0.943</td>
<td>0.915</td>
<td>0.964</td>
<td>0.747</td>
<td>0.976</td>
<td>0.979</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Source: Author’s elaboration

As already pointed out, when deciding which database on Gini to employ, one faces a trade-off between coverage and comparability. But comparability, and thus the overall quality of the data provided, strongly depends on the coverage of the dataset in terms of countries. When data on Gini are collected and elaborated by a single institution, they are usually more comparable and therefore they provide better quality. At the same time, data on Gini produced within developed countries are usually more reliable than those produced within developing countries. Therefore, producing high quality and comparable data on Gini has a cost in terms of sample size.

The data on Gini provided by LIS, which are considered the highest quality and internationally comparable ones (Atkinson, 2004), in fact, cover only 286 country/year observation for only 49 developed countries. Similarly, the EU-SILC and the IDD dataset provide highly comparable data but at the expense of the number of observations and countries covered. On the opposite sign, the ATG, the WDI, the EHII
and the SWIID provide a high number of country/year observation, unfortunately, they often provide data that are way less comparable among countries.

However, since the aim of this work is to provide an assessment of the relation between a states’ form of government and its levels of income inequality able to produce generalizable results, I must face the above-mentioned trade-off. In fact, if on the one hand the concerns about the comparability of data would suggest relying to the employment of datasets such as the LIS, the EU-SILC, or the IDD, on the other hand limiting the analysis to the countries covered by those datasets would mean limiting it to a less consistent share of the world population, and almost exclusively to the richest and more developed countries. Table 2.10 reports some of the relevant characteristics of the countries covered by the different datasets. To compare them, I considered the observation of the year 2012, which is the last year covered by the UDS dataset.

\(^9\text{Data on GDP, GDP per capita, and total population are retrieved from the World Bank Database.}\)
Table 2.10: Characteristics of the countries covered by the different datasets in the year 2012

<table>
<thead>
<tr>
<th>Dataset</th>
<th>Countries Covered</th>
<th>Average UDS</th>
<th>Average GDP (billions)</th>
<th>Average GDP per capita</th>
<th>World Population Covered (%)</th>
<th>Total Population Covered (billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU-SILC</td>
<td>34</td>
<td>1.325</td>
<td>571</td>
<td>34051.78</td>
<td>8.5</td>
<td>0.60</td>
</tr>
<tr>
<td>IDD</td>
<td>42</td>
<td>1.315</td>
<td>1510</td>
<td>34823.11</td>
<td>61.4</td>
<td>4.36</td>
</tr>
<tr>
<td>LIS</td>
<td>49</td>
<td>1.238</td>
<td>1600</td>
<td>35050.9</td>
<td>43.0</td>
<td>3.06</td>
</tr>
<tr>
<td>EHII</td>
<td>149</td>
<td>0.434</td>
<td>516</td>
<td>16549.63</td>
<td>95.5</td>
<td>6.78</td>
</tr>
<tr>
<td>WDI</td>
<td>164</td>
<td>0.401</td>
<td>439</td>
<td>11950.86</td>
<td>98.4</td>
<td>6.99</td>
</tr>
<tr>
<td>ATG</td>
<td>166</td>
<td>0.394</td>
<td>455</td>
<td>13193.83</td>
<td>97.4</td>
<td>6.92</td>
</tr>
<tr>
<td>SWIID</td>
<td>192</td>
<td>0.343</td>
<td>416</td>
<td>13866.63</td>
<td>98.7</td>
<td>7.01</td>
</tr>
</tbody>
</table>

Source: Author’s elaboration

As shown by Table 2.10, relying on the data provided by LIS, EU-SILC and IDD, would imply limiting the analysis to 59 countries that are on average more democratic, with a high Gross Domestic Product (GDP) and GDP per capita, and which account only for the 64.85 per cent of the world population. Therefore, employing one of these datasets would severely limit the possibility to generalize the results obtained by the empirical analysis. For all these reasons, for choosing a measure of income inequality to employ in the empirical analysis, I turned my attention to the datasets providing less comparable data but covering a larger sample in terms of countries/years: the ATG, the EHII, the WDI, and the SWIID. None of the four datasets however is devoid from issues, and each of them presents some strengths as well as specific pitfalls that need to be considered and evaluated before employing them in empirical analyses.
The ATG is a compilation of several Gini coefficients from eight different sources, employed to generate one standardized Gini coefficient (Giniall) for each observation. The generation of Giniall is reached by aggregating the preferred Gini coefficients for each observation, ranking them according their overall quality (Smeeding & Latner, 2015). Overall, the ATG is a very transparent dataset, and for each Giniall observation, it also provides all the relevant information (the source, the welfare definition, the unit of analysis, the quality ranking, etc.) so as that scholars can autonomously decide what data employ and how to combine them according to their needing. But the ATG also presents two main issues that affects its usability. Firstly, employing all the observations on Gini provided by the Giniall, implies merging together coefficients which are constructed starting from different concepts, definitions, and aggregation’s methods. Of course, as already pointed out, scholars may easily decide to employ only comparable coefficients, but when data are selected according to comparable characteristics (the welfare definition, the unit of analysis, the quality ranking) the coverage in terms of both countries and years is severely reduced. Secondly, the Giniall coefficients are constructed without employing any equivalence scale, namely without accounting for the fact that there are greater costs associated with larger households and economies of scale in consumption that are generated by cohabitation (Smeeding & Latner, 2015).

The EHII is a panel of estimated Gini coefficients based on the table of measures of the Industrial Statistic of the United Nations Industrial Development Organization (UNIDO), which consist of the between-groups components of the Theil’s T statistics calculated across indus-
trial categories introduced in 1999 (Galbraith et al., 2016). The estimates produced by EHII are based on regressions that demonstrate the close relation between inequalities of industrial pay and household inequalities, across time and space. The EHII offers to the researcher the major advantage of covering a large sample in terms of both countries and years, also well covering the different regions of the world. Moreover, even if the coefficients’ estimate is based on inequality in industrial pay instead of inequality among households, as shown by Galbrait et al. (2014) the EHII does an effective job of estimating gross household inequality. However, the EHII also presents two issues: the first is a general issue affecting the overall employment of the Gini coefficients provided, while the second is an issue specifically affecting the research presented in this work. On the one hand, the EHII does not employ any equivalence scale and therefore, similarly to the ATG, it does not account for the greater costs associated with larger households and economies of scale. On the other hand, the EHII considers gross household inequality instead of net household inequality. But since the aim of this work is to assess the effect that the form of government has to the levels of national inequality, employing gross household inequality would not account for the effect of redistribution on the distribution of income, overestimating inequality within those countries implementing greater redistributive policies.

The WDI is a large database compiled by the World Bank Group, providing cross-country comparable data on development (World Bank Group, 2017). WDI data are based on primary household survey data obtained from government statistical agencies and World Bank country
departments. With respect to the coverage, the WDI provides a large sample of Gini observations both in terms of countries and years. The WDI dataset on Gini has two major strengths that make it one of the most employed dataset for the empirical study of inequality. Firstly, as already pointed out, it covers a large sample of both countries and years, offering an excellent coverage in term of different world regions as well. Secondly, in addition to the overall Gini, the WDI also provides several other measures of inequality such as quintiles and shares. However, even the WDI presents some issues that must be considered. On the one hand, its Gini is calculated based on different national surveys that employ different welfare definition (of per capita income and consumption) without any serious attempt to standardize them (Galbraith et al., 2016) and this severely affects its comparability across countries as well as within countries across years. On the other hand, similarly to the ATG and the EHII, it does not employ an equivalence scale rather it employs a raw adjustment for household size.

The SWIID, elaborated by Frederick Solt (2016), which is the index that will be employed within this work, aims to provide scholars with a dataset of income inequality that maximize comparability for the amplest possible sample in terms of both time and space (Solt, 2009). And the two major strengths of the SWIID dataset are, in fact, the size of the sample, which is so far the amplest in terms of both countries and years covered, and the harmonization of the data composing on Gini, which assure a great level of comparability both among countries and years. The SWIID accomplish this task, by using the data collected by the Luxembourg Income Study as the standard unit,
while incorporating data on Gini from the IDD, the Socio-Economic Database for Latin America and the Caribbean (SEDLAC) generated by the Centro de Estudios Distributivos, Laborales y Sociales (CEDLAS), the World Income Inequality Database (WIID) compiled by the United Nations University World Institute for Development Economics Research (UNU-Wider), the UN Economic Commission for Latin America and the Caribbean, national statistical offices around the world, and academic studies. The process of data aggregation is carried out minimizing reliance on problematic assumptions by using as much information as possible from proximate years within the same country (Solt, 2016). The standardization is done by employing various imputation techniques to estimate the ratios of different coefficients and to create comparable data, in particular, using multiple (MI) imputation estimates for filling the missing values in the LIS database (Dorn, 2016). However, also SWIID data are not exempted from criticisms. Critics are focused on the reliability of the results of the imputation techniques employed, especially for less developed and developing countries, for which reliable baseline observations are scarcer (See: Jenkins, 2015; Solt, 2016).
Form of government and Inequality: Comparing Theories and Researches

3.1 What we theoretically know about the relation

The systematic study of the relationship between economic inequality and democracy is fairly recent, it started in the 1970s thanks to the growth of data collection and the progressive evolution of computational and statistical tools.

Many scholars have engaged in the disentanglement of the puzzle concerning the relation among the two variables but, although research tools have evolved at theoretical, statistical and computational level, works on the subject both theoretical and empirical did not reached homogeneous conclusions. Theorists elaborated several models trying to
explain the causal mechanisms and the causal direction of the relation, each of which, proposing different frameworks and different outputs, and empirical researchers testing those models found, from time to time, evidences in favour and against each of them. Researches show, in fact, divergent conclusions both regarding the very existence of a causal relation between democracy and inequality, and the causal direction that such a relation would assume.

Throughout a carefully analysis of the literature, however, it is possible to identify four main theoretical strands that pinpoint to different causal relations between a state form of government and its level of inequality:

1. Linear relation in which the form of government influence inequality;
2. Linear relation in which Inequality influences the form of government;
3. Non-linear relation in which the form of government influences inequality, the so called inverted "U";
4. No relation between the two variables.

3.1.1 **Linear relation in which the form of government influence inequality**

The first hypotheses about the effect of the state’s form of government on inequality go back in time to philosophers of the ancient Greece. Such intuitions, even if referring to concepts having different
meanings with respect to their modern usage, have been followed and refined, through the history, by several thinkers. However, only after the formation of the modern form of state, and moreover after the birth of modern democracies, they have started to be systematized in a coherent corpus of knowledge. John Stuart Mill (1862), in his essay “Consideration on Representative Government” claims that liberal governments help to reduce inequality. According to Mill, a proof supporting this thesis would be the fact that, in spite of the claims for an increase of rights for disenfranchised citizens, conservative political elites have often opposed to the enlargement of such rights, fearing that it would have undermined their status and their wealth. A pattern of this kind can be traced back in the second half of the nineteenth century, when the suffrage has been progressively widened in most of European states. The idea behind Mill’s thesis, on the wake of the Aristotelian thought, is that within a democratic system the relative weight of the poorer section of the population, bigger than that of the richer one in terms of number of votes, would push the state to implement greater redistributive policies asked by the former at the expenses of the latter.

Almost a century after Mill’s writings Lipset (1959), studying the determinants of democracy, gave birth to the theoretical strand known as modernization theory according to which economic development would be the very engine of the processes of democratization. In a dynamic perspective, the theory claims that the increase in the level of economic well-being would produce a series of societal changes, such as urbanization, industrialization, and mass education, which in turn would trigger a process of change in individuals’ political preferences and attitudes,
so that public acceptance for repressive political regimes would become weaker. In practical terms, the increases of individual economic well-being, mainly through the improvement of the education, would change so deeply individual preferences that the masses would not anymore accept to live in a non-democratic regime.

In a more static perspective, as pointed out by Sirowy and Inkeles (1990) "democracies are conceived so as to be relatively more open to the struggles about resources’ redistribution". Thanks to the electoral mechanism and to the right of opposition, they cannot enforce growth policies that directly undermine the resources of specific social groups, but at the same time they cannot even entirely ignore the voice of the worst-off sectors of the population that organize themselves in order to defend their legitimate needs (Lipset, 1959). Later, analyzing the role of the elections in industrial democracies, Lipset (1960) deepen his thought and claims that democratic political structures give rise to elections that are expression of the democratic class struggle. With the enlargement of the suffrage, occurred in many states from the twentieth century, including smallholders in the electoral process, political competition in industrial countries has noticeably increased, pushing states, gradually but manifestly, to implement redistributive leftist policies (Bollen & Jackman, 1985).

It is important to highlight that Lipset’s theory, even not addressing directly the relation between regime’s types and inequality, strongly influenced all the subsequent research about this topic. Lipset’s theory distinguishes two logical steps: on a first step processes of modernization lead to democratization processes; on a second step, through the
enlargement of the suffrage and the recourse to elections as expression of the class struggle, democratization would allow worst-off citizens to ask for the implementation of redistributive policies.

According to the authors viewed so far, in a dynamic perspective with the enlargement of the suffrage and the formation of democratic institutions, the poorer sectors of the population would acquire, more or less gradually, the capability to influence the policies implemented by the governments, and to demand for redistributive policies, and this would have the effect of reducing income inequality. While in a static perspective, the same democratic structures and institutions would guarantee lower levels of inequality rather than non-democratic ones.

Lenski (2013), throughout his stratification theory, reaches quite similar conclusions. According to Lenski, democratic ideology would affect inequality because it would legitimize a greater distribution of political power in favour of the majority, for the benefit of the most disadvantaged individuals within the society. The distribution of political power would generate a distribution of material resources so reducing inequality. Lenksii deepens his argument claiming that, given the existence of an egalitarian political structure, it is plausible to expect that in the long run the most disadvantaged sectors of the population would organize themselves in unions or other interest groups, and that they would develop a solid electoral base, which would allow them to gain sits in the parliament, taking part in the management of the government machinery.

All the authors cited so far provide a reading of the relation that highlight the bond between political and economic inequality. Thanks
to their structures and their institutions, democratic regimes would tend to generate, naturally, more egalitarian societies with a strong middle class, and they would enforce more egalitarian policies, that would reduce the levels of economic inequality. Therefore, a main channel through which the regime type of a state would influence its level of inequality is represented by the requests of redistributive policies made by the population. Indeed, redistribution can be achieved not only through the implementation of fiscal policies increasing taxes on the rich to subsidize the poor. Thanks to the possibility to organize themselves in trade unions, possibility usually excluded within non-democratic regimes, poor citizens can struggle against the rich ones in order to obtain higher salaries. Therefore, for all these reasons, dynamically the transition from a non-democratic to a democratic regime should entail a reduction of inequality while, statically regimes with higher levels of democracy should tend to present lower levels of inequality compared to regimes with lower levels of democracy, as well as of course compared with non-democratic regimes.

Redistributive requests, however, are not the only channel through which the regime type can affect income inequality. Another important channel, identified by the literature, through which democracy would influence the formation of a strong middle class, so reducing inequality, is the improvement of citizens’ education. As pointed out by Burkart (1997), public education is one of the features, and at the same time a product, of democratic systems, implemented in order to create citizens who meet the requirements of a State governed by the people. And theorists, such as Mill (1862), argue that creating more informed cit-
izens, public education decreases economic inequalities within states. Put differently, as for their structures and institutions, also throughout public education, democratic regimes are pushed, in a natural way, to strengthen the middle class within states. The reason is that, in order to arise, and moreover to survive, democratic regimes need a well-developed bureaucracy, which in turn can be realized only through the growth of an educated middle class capable to meet the requirement of the system itself.

A logical consequence of the arguments presented so far is that non-democratic regimes should present higher levels of inequality than democratic regimes or, at least, they should be less inclined to pursue policies aimed to reduce income inequality. Not having the same need for legitimacy, non-democratic regimes can implement policies advantaging a small sector of the population at the expenses of the majority. This happens because there are not those mechanisms allowing the majority to affect government’s policies, in other words, non-democratic regimes lack accountability mechanisms (Sirowy & Inkeles, 1990). These arguments seem to suggest that non-democratic regimes would produce, inevitably, greater level of inequality. Therefore, political inequality would translate automatically into economic inequality.

This pattern is confirmed by some empirical cases such as Brazil from 1964, Chile from 1973 and Iran under the regime of the Shah. Such a picture also appears in some traditional monarchies such as: Nepal, Saudi Arabia, and Ethiopia under the regime of Haile Selassie. The experience of these countries suggests that non-democratic regimes, whether based on tradition, repression, or both, tend to present higher
levels of inequality, since political elites are not accountable in front of the majority of the citizens (Bollen & Jackman, 1985). The underlying logic of these claims is that, needing legitimization from the base, democratic regimes are more prone to redistribute material resources in a more equal way, for the benefit of the poorer sections of the population, therefore reducing the levels of income inequality.

However, neither these claims are unanimously accepted. Some scholars, even sharing the believe according to which the regime type of a state influences the level of inequality within states, claim that non-democratic regimes are more capable to reduce inequality if compared with democratic ones. Beitz (2015), for instance, suggests that authoritarian regimes are better able to enforce more egalitarian development policies than democratic regimes. The central idea of his thesis is that authoritarian regimes can better protect the interests of the most disadvantaged sectors of the population, because the availability of political rights, and their expression throughout elections, does not automatically allow the poorer citizens to benefit from them.

This happens because the enlargement of political rights does not automatically traduce in the capability to influence public policies. In other words, according to Beitz, inequality in the distribution of material resources, in a democracy, could turn into inequality of political power. Therefore, contrarily to what happens in democratic regimes, the government could enforce redistributive policies without considering the opposition of the wealthier citizens. In this regard, Gradstein and Milanovic (2000) show how some Eastern European and Eastern Asian countries managed to reach relatively low levels of income in-
equality even in the presence of non-democratic regimes (for instance Taiwan and South Korea), while in other cases, such as some ex-Soviet countries, inequality has raised during and after the democratization processes. To conclude, even accepting the idea that democracies are, in general, more receptive to the redistributive requests claimed by the member of the political community, Beitz (2015) highlight how democracies do not necessarily consider all members’ request in the same manner. Consequently, poorer citizens will not be able, as richer citizens do, to defend their interests throughout democratic structures.

But beyond the dichotomy democracy non-democracy, some authors have highlighted how also the ideologies to which governments rely can influence redistribution and therefore inequality. Governments inspired by leftist ideologies are expected to increase taxes on the rich and redistribution to the poor, on the contrary governments inspired by rightist ideologies are expected to do the opposite. This relation seems to be confirmed for western industrialized countries (Korpi & Palme, 2003; Esping-Andersen, 1985), as well as for developing countries either democratic or non-democratic (Ha, 2012).

### 3.1.2 Inequality affects the form of government

According to the second theoretical strand analyzed, it would not be the regime type of a state affecting inequality levels, rather the opposite. This idea dates back to the time of ancient Greece. In his essay "Politic" Aristotle notices that the distribution of economic resources can affects the political regime of a certain political community. Aristotle claims that "In democracies the majority are sovereign, but in oli-
On the contrary oligarchies originate from the belief of the citizens of being unequal, unequal in the property they suppose themselves completely unequal” (Laurenti, 2007). In other words, Aristotle emphasizes the bond between the distribution of resources and the political system of a state, claiming that to an unequal distribution of property, usually correspond non-democratic forms of government. Even without using the term, Aristotle in his writings highlights the importance of a well-developed middle class, as a base for the promotion of a democratic system.

Starting from different assumptions, after more than two thousand years, Marx (1926) points out the centrality of the middle-class’ role in the transition toward a model of parliamentary democracy, and contemporary authors do not stray too far from these assumptions (Bollen & Jackman, 1985). There is, in fact, a certain agreement about the idea that inequality negatively affects democratic regimes and that, in some cases, it may preclude its establishment. To work properly, a state ruled by the people needs the presence of a specialized bureaucratic apparatus able to run all the institutions that such a regime type requires, and this need usually translates in the formation of a strong middle class.

Income inequality can influence the regime type of a state throughout several mechanisms. According to Muller (1988) the hypotheses of a direct relation between the level of income inequality and the regime should be analyzed through two main dynamic perspectives, distinct but complementary. He underlines that researches on the negative effect of inequality on democracy, on the one side, should consider the question of the genesis, answering the question: is a less unequal income distri-
bution a necessary condition to set in motion a democratic transition? On the other side, they should consider the question of the stability, answering the question: once the democratic transition is achieved, and a democratic regime has been established, do a less unequal income distribution increases the chances that the democratic system will remain stable over the time?

For what concerns the question of the genesis, several authors support the idea that a relatively egalitarian distribution of income reflects the raise of a strong and autonomous middle class (Moore, 1966; Rubinson & Quinlan, 1977; Burkhart, 1997). The logical consequence of this idea is that countries having high levels of income inequality should show a weak middle class, and this would reduce the probability that a democratic transition would be undertaken. In this regard, Dahl (1971) supported the previous thesis suggesting that extreme forms of inequality in the distribution of material resources produces non-democratic regimes. Since economic resources can be easily converted in political resources, through several channels such as financing political parties, financing one’s own electoral campaign, making lobbying activities within the various political institutions, concentration of media, too concentrated economic resources allow the richer segment of the population to oppose political reforms aimed to extend rights and liberties to the poorer segments.

With respect to the question of the stability, the principal thesis is the one according to which income inequality generates frustration among citizens, especially within the poorer segments, and that this frustration in turn would generate resentment and delegitimization.
for the authority and for the political system. Dahl (1971) claims that democracies are particularly vulnerable because extreme inequalities reduce the sense of community and the legitimization that democratic systems need to survive. Therefore, as pointed out by Boix and Stokes (2003) and further elaborated by Savoia et al. (2010), economic equality not only increases the chances that a democratic transition can occur, it also increases the chances that the democratic regime manages to stabilize itself.

However, even on this point, there is not a general agreement. The empirical evidences, in fact, shows how some countries, even being classifies as fully democratic with a strong democratic tradition, present high levels of income inequality, without this represented a threat to the democratic system, nor reduced its legitimacy. United States are the more paradigmatic case of this empirical pattern, in fact, even presenting high levels of income inequality (compared with other western democracies) and being one of the most ancient democracies in the world, the legitimacy and the worth of the democratic system have not been ever questioned.

3.1.3 Non-linear relation, the so called inverted "U"

Theories viewed so far seem to conflict among them. Everyone hypothesizes a linear relation between democracy and inequality, but they diverge in identifying the direction of the causal relation that would bond them. In the last years, however, some authors tried to explain this apparent conflict developing theories considering the possibility that the two variables would be bound by a non-linear relation. At the base of
this theoretical development there is the thought according to which the increase of the democratic level within a country, and therefore increasing the extension of the right to vote, initially, would tend to produce an increase in the level of income inequality and, only later, with further democratic improvements, inequality would tend to decline. Therefore, in this case, it would subsist a non-linear relation that would take the form of the so called inverted "U", also called "Kuznets curve". Simon Smith Kuznets, an American scholar whose empirical studies on economic development earned him a Nobel Prize in economics, during his studies, analyzing the relation between economic development and income inequality (Kuznets, 1955) found that at the initial phases of development within an economy, the levels of income inequality tends to increase and, only in the long term, inequality tends to decrease. This pattern, when graphically expressed (Figure 3.1), takes the form of an inverted "U", showing a non-linear relation between the two variables.
In the first years following its theorizing, the Kuznets curve model have been explained mostly through economic factors. Kuznets himself, looking at the European countries’ history (United Kingdom, France, Germany, etc.) speculated about the fact that the dynamic of the curve could be caused mainly by the passage from an agriculturally based economy to an economy based on the industrial sector.

Contrasting with the economic reading of the Kuznets’ curve, some authors proposed a different theory, according to which, within Western countries, the curve would have been caused by political and institutional rather than economic factors. According to this strand of thought, the decline of inequality in Western Europe, experimented during the nineteenth century, have not been a consequence of the economic development but a product of the political changes forced by the mass mobilization (Acemoglu & Robinson, 2002). The industrializa-
tion process conducted to an increase of the levels of income inequality and, consequently, there have been riots among the poorer segments of the population. As a response to those riots, which risked giving birth to actual revolutions, political elites have been forced to implement radical political reforms, as the extension of the right to vote and the implementation of redistributive policies. According to Acemoglu and Robinson (2002), the political theory of the Kuznets curve, provides that "The capitalistic industrialization tends to increase income inequality, but the same inequality has the seeds of its reduction, because it induces changes in political regimes through more redistributive policies".

Inheriting his research, therefore, some authors employ the model created by Kuznets applying it to the democracy inequality relation. The novelty, compared to previous studies, is the attempt to measure the level of democracy, so overcoming the dichotomous classification democracy/non-democracy, considering instead a democracy scale capable to better gauge the differences among different democratic regimes.

Burkhart (1997) claims that, during a democratic transition process, economic benefits tend initially to concentrate in the urban middle class, further increasing income inequality between the urban and the rural classes. Later, with the establishment and the stabilization of the democratic regime, the level of income among the rural class would tend to increase, therefore reducing income inequality. In this regard, Chong and Calderón (2000) argument that democracy’s establishment would produce a reorganization of the informal sector, predominantly occupied by the poorest segments of the population, which in turn would have the effect of reducing the income gained by those who work in it.
Burguignon and Verdier (2000), among the first to hypothesize such a relation between democratic regimes and income inequality, develop a theoretical model in which public decisions are taken on the basis of the decisions expressed by the majority of voters, and where the right to vote is limited to educated citizens (that in their model would be the minority). The minority possessing the right to vote would govern the country. The elites could decide to subsidize the education of non-educated citizens, the incentive would be that of enjoying the positive externalities provided by the education, while the costs would be represented by the partial loose of political control. This model can generate a Kuznets curve since, initially, the investment on education, and the consequent enlargement of the right to vote for a part of the population previously excluded would generate an increase of inequality. Later, however, with further enlargements of the voting population, the majority of voters would begin to claim the implementation of more redistributive policies, and that would generate a reduction of income inequality.

The underlying logic of the theoretical model presented is that, initially, the investment on public education and the consequent enlargement of the right to vote would concern the richer part of non-educated citizens. For this reason, initially, inequality would tend to increase. In the long term, however, the new portion of voting population would be able to influence, throughout its vote, the policies undertaken by the government, and it would push for more redistributive policies that in turn would produce further enlargement of the educated electoral basis, therefore reducing income inequality.
Even Acemoglu and Robinson (2000) develop a theoretical model showing the possibility that the relation between democracy and inequality assumes the form of a political Kuznets curve, when a country starts a democratic transition because of social pressures. According to this model, while industrialization allows the richer elites to accumulate resources, the poorer section of the population will not be able to invest in human capital, and this pattern will generate an increase in income inequality. When income inequality reaches a certain threshold, the risk to end in a revolution would increase, and this risk would force the elites to extend political rights to the segments of the population that were previously disenfranchised. In the long term, the democratization process would have the effect of increasing education and redistribution, and ultimately it would reduce income inequality, generating an inverted "U" curve for political reasons (Figure 3.2).

Figure 3.2: Political Kuznets curve on the relationship between democracy and income inequality

Source: Author’s elaboration on Kuznets (1955)
3.1.4 No relation between democracy and income inequality

In sharp contrast with theories presented so far that, even in a distinct manner, hypothesize some relation between democracy and inequality, some authors claim that there is no such a causal relation between the two variables. The theoretical models presented by these authors can be included in the so called "skeptical model". The arguments supporting the skeptical model can be divided in two main groups. In the first group, we can include the supporter of the "industrialization logic", according to which the technological development processes influence either the distribution of material resources and the structure of political institutions. They claim that the relation observed between the two variables would be spurious because both the distribution of material resources and the structure of political institutions would depend, instead, on technological development (Bollen & Jackman, 1985). This theoretical framework, also defined as functionalist, has been also analyzed by Marsh (1979) according to which the form of government of a state has not any effect on the social stratification, and changes in the distribution of economic resources have to be interpreted as changes in the configuration of the occupational structure, which would be a direct consequence of the industrialization logic. Consequently, any relation between the political system and the level of income inequality would be spurious, because both variables would depend on the level of economic development.

Even if expressed throughout different terms, the concept remains
the same. The industrialization logics (that in different epochs have
served as the backdrop and the driving force of democratic transitions),
pursuing technological processes, would alter the social classes’ struc-
ture within states. The need for a more educated and qualified work-
force would influence directly the occupational structure, and conse-
quently the level of income inequality. In other words, according to this
approach, would not be possible to identify a clear relation between the
political system and the level of inequality of a state, since both would
be dependent variables of the technological-economic development.

In the same category, we can also place those authors referring to
the Marxist analysis, which starting from different assumptions come to
similar conclusions, founding a subordinate role of political structure in
capitalistic and pre-capitalistic societies (Marsh, 1979; Nelson, 1987).
According to the Marxist analysis, democratic structures and ideologies
not only would not have effects on income inequality, they would serve
to legitimize and to strengthen the relations already existing among so-
cial classes from which income inequality would ultimately depend.
According to the Marxist approach, the typology of political regime
would lose importance with respect to social classes’ structure, and
particularly with respect to the economic power of the capitalist class.
Therefore, to understand the mechanisms generating income inequality
and its variations, it is fundamental to study social classes’ structure and
the dynamics that influence them (Sirowy & Inkeles, 1990). Following
this approach, political systems would not influence inequality since it
would depend only on the classes structure within a country. According
to these line of thought, democratic systems not only would not be able
to reduce inequality, they would be employed by the dominant social
classes as an instrument capable to avoid riots, and ultimately to shelve
the status quo of the existing class structure.

The second theoretical strand, instead, directly questions the ba-
sic assumptions underlying the very nature of democratic political sys-
tems. The hypothesis that democratic systems would be able to reduce
inequality are mainly based on the majoritarian democratic model (Ran-
ney & Kendall, 1951) –which would allow the poorer segment of the
population, greater in term of votes, to obtain the implementation of
more redistributive policies– but the empirical evidences show how only
a few democratic systems can be classified as majoritarian (Lijphart,
1984). For the supporters of this theoretical strand, also the assumption
that high levels of inequality can threaten democratic systems should be
revised. They argue that in order to observe such a pattern, it is fund-
damental that inequality be perceived as unjust, however, there would
be no reason to believe that this actually happen in all cases (Sirowy &
Inkeles, 1990). The cases of US and Australia could be examples of
such a pattern. In the two countries, despite an increase in the levels
of inequality, registered from the 1960s to the 1990s, neither the demo-
cratic political system nor the principles on which it is based have been
ever seriously questioned by the citizens.

3.2 What we empirically know

As we have seen, different theories have been developed to try to
disentangle the relation between democracy and income inequality in
one way or the other. Some authors claim the form of government in-
fluences inequality, while others claim that is inequality that influences the form of government and, lastly, some others claim that there is not any causal relation between the two variables. In the last decades, all the theories presented have been tested empirically, nevertheless, scholars have not reached homogeneous conclusions. However, to have a clear perception about the motivations behind such differentiation of results, it is worthy to analyze the major empirical studies performed so far.

Analyzing the previous empirical studies, I will focus on the results obtained, but also on the characteristics of the models developed, and on the methodologies employed to test their assumptions. In my analysis, I will consider either recent and dated researches, and in general those works that have had a decisive impact on the literature (Table 3.1).

Table 3.1: Democracy and inequality, summary of the studies analyzed

<table>
<thead>
<tr>
<th>Author/s</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jackman</td>
<td>1974</td>
</tr>
<tr>
<td>Hewitt</td>
<td>1977</td>
</tr>
<tr>
<td>Rubinson and Quinlan</td>
<td>1977</td>
</tr>
<tr>
<td>Bollen and Grandjean</td>
<td>1981</td>
</tr>
<tr>
<td>Bollen and Jackman</td>
<td>1985</td>
</tr>
<tr>
<td>Weede</td>
<td>1989</td>
</tr>
<tr>
<td>Alesina e Perotti</td>
<td>1996</td>
</tr>
<tr>
<td>Reuveny e Li</td>
<td>2003</td>
</tr>
<tr>
<td>Chong</td>
<td>2004</td>
</tr>
<tr>
<td>Acemoglu et al.</td>
<td>2005</td>
</tr>
</tbody>
</table>

Source: Elaboration of the author

### 3.2.1 Characteristics of the econometric models employed

The choice of the econometric model, employed to test the relation, is a fundamental aspect of almost any quantitative empirical re-
search. It depends substantially on the theoretical model one wants to test, and from the results one expects to find.

For what concern the works considered here, a first distinction worthy to be done is that between the research developing simultaneous equation models and those employing single equation models. The former kind of model is developed to test the hypothesis that the relation between democracy and inequality take the form of a simultaneous relation in which the two variables influence each other simultaneously, while the latter kind of model tests the hypothesis that only one variable affects the other. In the second case, the possible reciprocity of the relationship is not even considered, in fact, they restrict their focus to recursive models testing only the effect of democracy on inequality, or the opposite.

An important second distinction is that only the most recent empirical studies employ dynamic models capable to assess the evolution of the relation along the time, while the others limit their analysis at a cross-sectional level.

A third distinction worthy to point out regards the functional form, hypothesized and tested, that the relation would assume. This difference depends, as that of the model, on the different theoretical approaches, on the expected interaction among the variables considered, and on the assumptions to be tested. Among our sample of studies, in most cases authors choose to employ a non-linear form, either quadratic or logarithmic, while in a few cases the relation is hypothesized as linear. Table 3.2 shows a synthesis of the studies’ main characteristics.
Table 3.2: Democracy and inequality studies’ main characteristics

<table>
<thead>
<tr>
<th>Author</th>
<th>Year</th>
<th>Simultaneity</th>
<th>Equation Form</th>
<th>Static/Dynamic Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jackman</td>
<td>1974</td>
<td>No</td>
<td>Logarithmic</td>
<td>Static</td>
</tr>
<tr>
<td>Hewitt</td>
<td>1977</td>
<td>No</td>
<td>Linear</td>
<td>Static</td>
</tr>
<tr>
<td>Rubinson and Quinlan</td>
<td>1977</td>
<td>Yes</td>
<td>Logarithmic</td>
<td>Static</td>
</tr>
<tr>
<td>Bollen and Grandjean</td>
<td>1981</td>
<td>No</td>
<td>Quadratic</td>
<td>Static</td>
</tr>
<tr>
<td>Bollen and Jackman</td>
<td>1985</td>
<td>Yes</td>
<td>Quadratic</td>
<td>Static</td>
</tr>
<tr>
<td>Weede</td>
<td>1989</td>
<td>No</td>
<td>Quadratic</td>
<td>Static</td>
</tr>
<tr>
<td>Alesina and Perotti</td>
<td>1996</td>
<td>No</td>
<td>Linear</td>
<td>Static</td>
</tr>
<tr>
<td>Reuveny and Li</td>
<td>2003</td>
<td>No</td>
<td>Linear</td>
<td>Dynamic</td>
</tr>
<tr>
<td>Chong</td>
<td>2004</td>
<td>Yes</td>
<td>Quadratic</td>
<td>Dynamic</td>
</tr>
<tr>
<td>Acemoglu et al.</td>
<td>2005</td>
<td>No</td>
<td>Linear</td>
<td>Dynamic</td>
</tr>
</tbody>
</table>

Source: Elaboration of the author

3.2.2 Variables’ measurement and data

Another important factor, which may influence considerably the results between empirical studies, is the operationalization process, carried out to empirically analyze abstract non-directly observable concepts, such as democracy and inequality. Concepts’ operationalization allows to move down along the abstraction scale, by assigning directly observable empirical referents to the concepts analyzed (Sartori, 2009). In other words, operationalization allows to transform theoretical definitions into operational definitions, establishing empirical indicators, representing the different component of a concept, which can be directly observed and measured. The differences in the choice of the essential components of a concept, the selection of the indicators to measure them, and the quality of the data available, can lead to substantially different results when employed in empirical researches.

The authors of the studies considered here have dealt with this
task in different ways. For what concerns the concept of democracy, they employed different democratic indices based on different conceptions of democracy. In some cases, democracy is defined only in procedural terms, while in other cases it is defined also considering different aspects. A plethora of democratic indices do exist and, as discussed in Chapter 2.1.3, they differ about several aspects. The studies examined, employ different indices some of which classifying states through a merely distinction between democracies and non-democracies, while other classifying countries through more complex measurement scales.

A similar argument can be made about inequality’s measurement, not being a directly measurable concept, as in the case of democracy need to be operationalized. Moreover, the term inequality can refer to multiple concepts, inequality can refer to differences in the distribution of economic resources, but also to differences in other social aspects (as discussed in Chapter 2.2). However, all the studies considered here employ an economic definition of inequality, considering only inequalities of income, and almost all of them measure them through the Gini coefficient that express inequality between the values of the distribution of income within a country. Table 3.3 shows how the variables are measured by each study, and the source of the data they employ.
### Table 3.3: Democracy and inequality variable’s measurement and data sources

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Year</th>
<th>Inequality Measurement</th>
<th>Democracy Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jackman</td>
<td>1974</td>
<td>Shultz Coefficient: data by Taylor and Hudson, 1972</td>
<td>His own composite index&lt;sup&gt;10&lt;/sup&gt;</td>
</tr>
<tr>
<td>Hewitt</td>
<td>1977</td>
<td>Gini: data by Paukert, 1973</td>
<td>His own index&lt;sup&gt;11&lt;/sup&gt;</td>
</tr>
<tr>
<td>Rubinson and Quinlan</td>
<td>1977</td>
<td>Gini: data by Paukert, 1973</td>
<td>Jackman Index</td>
</tr>
<tr>
<td>Bollen and Grandjean</td>
<td>1981</td>
<td>Gini: data by Paukert, 1973</td>
<td>Bollen Index&lt;sup&gt;12&lt;/sup&gt;</td>
</tr>
<tr>
<td>Alesina and Perotti</td>
<td>1996</td>
<td>Gini: data by 1975</td>
<td>Political Instability Index&lt;sup&gt;13&lt;/sup&gt;</td>
</tr>
<tr>
<td>Reuveny and Li</td>
<td>2003</td>
<td>Gini: data by Deininger and Squire, 1996</td>
<td>Polity IV</td>
</tr>
<tr>
<td>Chong</td>
<td>2004</td>
<td>Gini: data by Deininger and Squire, 1996</td>
<td>Freedom House and Polity IV</td>
</tr>
</tbody>
</table>

Source: Elaboration of the author

---

<sup>10</sup>The index is the sum of four components: number of adults voting as a proportion of the total voting age population; the competitiveness of the voting system developed in Rummel, 1966; a measure of electoral irregularity; and a measure of press freedom presented in Taylor and Hudson, 1972.

<sup>11</sup>Calculated on three characteristics: the executive must be elected or be responsible to an elected assembly; there should be universal manhood suffrage; elections should be “fair”. The score represents the number of years since a state become democratic.

<sup>12</sup>It includes three indicators of political liberty: freedom of group opposition; press freedom; extent of government negative sanctions. And three indicators of popular sovereignty: fairness of elections; method of executive selection; method of legislative selection.

<sup>13</sup>Calculated based on a principal component analysis of variables measuring on the one side violent and illegal forms of political expression, and on the other side illegal and violent transfers of executive power. It also contains a variable measuring democracy.
3.2.3 Samples’ dimension and composition

A third factor influencing the results of the empirical studies is their sample’s composition. The composition and the size of the sample are two aspects connected to each other, in fact, the choices about the composition, namely the choices related to which characteristics the population included in the reference sample should possess, influences the number of cases available, and doing so it influences the sample’s size.

Both the size and composition of the samples considerably vary among the studies considered here. This variation depends in part from the authors’ choices about what countries to include and which characteristics these countries should possess. But in part it derives also from a more contingent aspect released from authors’ will, namely the availability of data. For what concerns author choices, we can notice that the principal difference among the researches considered is the inclusion or the exclusion of developing countries. For instance, Hewitt (1977) exclude them, focusing his study on developed countries, and Reuveny and Li (2003) add them to their sample, but analyzing them separately. Table 3.4 show a summary of the sample’s characteristics.
Table 3.4: Democracy and inequality summary of the characteristics of the samples employed in the studies analyzed

<table>
<thead>
<tr>
<th>Author</th>
<th>Year</th>
<th>Sample Size</th>
<th>Time-frame</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jackman</td>
<td>1974</td>
<td>60</td>
<td>1960</td>
</tr>
<tr>
<td>Hewitt</td>
<td>1977</td>
<td>25</td>
<td>1945-1965</td>
</tr>
<tr>
<td>Rubinson and Quinlan</td>
<td>1977</td>
<td>32</td>
<td>1960</td>
</tr>
<tr>
<td>Bollen and Grandjean</td>
<td>1981</td>
<td>50</td>
<td>1960</td>
</tr>
<tr>
<td>Bollen and Jackman</td>
<td>1985</td>
<td>60</td>
<td>1958-1975</td>
</tr>
<tr>
<td>Weede</td>
<td>1989</td>
<td>20-33</td>
<td>1965</td>
</tr>
<tr>
<td>Reuveny and Li</td>
<td>2003</td>
<td>69</td>
<td>1960-1996</td>
</tr>
<tr>
<td>Chong</td>
<td>2004</td>
<td>51</td>
<td>1960-1995</td>
</tr>
<tr>
<td>Acemoglu et al.</td>
<td>2005</td>
<td>184</td>
<td>1960-2010</td>
</tr>
</tbody>
</table>

Source: Elaboration of the author

3.2.4 Findings of the empirical research on democracy and inequality

After having considered the main differences in the construction of the principal empirical researches on the relation between democracy and inequality, it is worthy to move to their results. As previously pointed out, the results provided by the studies show mixed empirical evidences, and from time to time they support each of the theories previously presented. In this regard, the studies can be classified in three categories: (A) inequality negatively affects democracy; (B) Democracy negatively affects inequality; and (C) there is not any significant relation between the two variables. Table 3.5 show the classification of the studies according to the three categories.
Table 3.5: Democracy and inequality, classification of the empirical studies based on their results

<table>
<thead>
<tr>
<th>Author</th>
<th>Year</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rubinson e Quinlan</td>
<td>1977</td>
<td>A</td>
</tr>
<tr>
<td>Alesina e Perotti</td>
<td>1996</td>
<td>A</td>
</tr>
<tr>
<td>Acemoglu et Al.</td>
<td>2005</td>
<td>B</td>
</tr>
<tr>
<td>Weede</td>
<td>1989</td>
<td>B</td>
</tr>
<tr>
<td>Chong</td>
<td>2004</td>
<td>B</td>
</tr>
<tr>
<td>Reuveny e Li</td>
<td>2003</td>
<td>B</td>
</tr>
<tr>
<td>Jackman</td>
<td>1974</td>
<td>C</td>
</tr>
<tr>
<td>Hewitt</td>
<td>1977</td>
<td>C</td>
</tr>
<tr>
<td>Bollen e Grandjean</td>
<td>1981</td>
<td>C</td>
</tr>
<tr>
<td>Bollen e Jackman</td>
<td>1985</td>
<td>C</td>
</tr>
</tbody>
</table>

Source: Elaboration of the author. Key: A = inequality reduces democracy; B = democracy reduces inequalities; C = no significant relation

First and foremost, we can notice that only two studies, out of the ten considered, can be placed in the first category, showing empirical evidence supporting the thesis according to which the level of inequality can reduce the level of democracy. Rubinson and Quinlan (1977), comparing the studies performed by Curtright (1963) and Jackman (1974), conclude that the main problem of the two studies was the fact that they have been forced, for lack of alternatives, to use data on market inequality, instead of data on individual or household inequality. They conclude that, replicating their analysis with individual data, more suitable that the sectorial ones, the effect of democracy on inequality would not be significant, while the effect of inequality on democracy would be significant. Alesina and Perotti (1996) arise directly the aim to test the hypothesis that economic inequality, fomenting social discontent, increases political and economic instability, thereby jeopardizing the democratic systems. And the results of their work show, in fact, that
economic inequality, in a significant number of cases, would increase political instability, thus having a negative effect on levels of democracy within states.

In the second category, may be included those studies showing empirical evidences supporting the thesis whereby democracy would have a positive effect on the reduction of inequalities. This category includes the studies of Weede (1989), Chong (2004), Reuveny and Li (2003), and Acemoglu et al. (2005). Employing different metrics to measure democracy and different econometric approaches, Chong (2004) reach the conclusion that there is a significant and non-monotonic relation between democracy and inequality and, in some cases, it assumes the form of a Kuznets curve. Similar conclusions are presented by Reuveny and Li (2003), whom in their study shown that, for both developing and developed countries, the effect of democracy on inequality is negative, so that increasing democracy reduces inequality.

The third category includes those studies showing no significant empirical evidence of any relation between the two variables, reaching the conclusion that there is no causal relation among them. In his research based on Lensky’s hypotheses according to which democracy would reduce inequality, Jackman (1974) concludes that there is not any statistically significant relation between them, and that any relation that may appear from the analysis would be spurious. The same result is reached in the study carried out by Bollen and Grandjean (1981) that points out how the relation that may be observed within their sample it is not significant. Lastly, trying to verify the existence of a simultaneous causal relation between the two variables, Bollen and Jackman
arrives to the same conclusions, so not finding any significant evidence that would suggest the existence of such a relation.

Therefore, the analysis of the empirical, as well as the theoretical, literature does not help to reach any definitive conclusion about the existence nor the direction of a statistically significant relation between democracy and inequality. However, taking advantage from the past theoretical and empirical contribution, but by proposing a different approach, this book aims to shed light on the mechanisms regulating the relation in object, and hopefully to move forward on the debate.
4

Methodology: How to analyze the relation between form of government and inequality

4.1 Methodological premises

The choice of the methodology employed to analyze a phenomenon is a fundamental part of any scientific research, especially in social sciences. As pointed out by Schulze (2003), there is not an ideal research methodology and any choice involves some pros and some cons. Phrasing it differently, based on different ontological, epistemological and methodological assumptions, social scientist’s toolbox contains several different tools, each of which presents advantages and limitations. The different tools can be classified into the two broad categories of qualitative and quantitative methodologies.

From an epistemological perspective, the distinction concerns how
researchers answer to the questions: how do we know what we know? And what is the relationship between the knower and what is known? Quantitative scholars, supported by the positivist paradigm, believe that empirical facts exist apart from personal ideas or thoughts, that they are measurable, and that they are governed by laws of cause and effect. Qualitative scholars on the contrary, mainly framed by the interpretivist-constructivist paradigm, believe the world as constructed, interpreted, and experienced by people interacting with each other and with the entire social system (Maxwell, 2012; Merriam, 1988). The ontological perspective, instead, raise the question whether reality exists independently from people or it is just a product of social processes. In this respect, qualitative methodologies employ the second perspective while quantitative methodologies usually employ the first (Tuli, 2010).

From the balancing of these two perspectives, qualitative and quantitative research differ about the methods and the instruments they employ. Qualitative research includes: case studies, field studies, grounded theory, document studies, naturalistic inquiry, observational studies, interview studies, and descriptive studies. Often qualitative designs only employ as unit of analysis one subject, one case, or one unit over an extended period (Newman & Benz, 1998). Quantitative research, instead, includes experimental studies, quasi-experimental studies, pretest-postest designs, and others, where control of variables, randomization, and valid and reliable measures are required, generalizability from the sample to the population is the aim, and data are coded according to a priori operational and standardized definitions (Newman & Benz, 1998).

For long time, the two approaches have been considered as a di-
chotomy, and scholars employing the qualitative and the quantitative perspectives engaged themselves in a long and hard debate about which paradigm should have been considered as the only true expression of the scientific method. Quantitative partisans, guided by the so-called positivist approach, claim that social phenomena should be considered as entities in the same way physicists consider physical phenomena. They believe that social science research must be objective, that researchers must work to make generalizations, and that the outcome of social science research must be determined reliably and validly. On the other side, qualitative partisans, often called constructivists or interpretivists, completely reject positivism, claiming that multiple-constructed realities do exist, that generalizations (time- and context-free) are not possible, and that knower and known cannot be completely separated since the subjective knower is the only authentic source of reality (Johnson & Onwuegbuzie, 2004).

From an historical perspective, during the last one hundred years, social science methodology undergone four major phases (Onwuegbuzie & Leech, 2005). The first, ended in the late nineteenth century, saw the great emergence of the quantitative paradigm, and the predominance of positivism with its statistical and mathematical instruments. The second phase begun in the twentieth century when the qualitative paradigm emerged. During this phase, and until the end of the Second World War, the purist form of positivism in social science became to be discredited (Tashakkori & Teddlie, 1998). The third phase, occurred between the late 1950s and the 1960s of the twentieth century, saw the emergence of the post-positivist paradigm and the rejection of several
tenets of logical positivism. With post-positivism emerged a compromise between qualitative and quantitative paradigms. Post-positivists on the one side maintain that reality is a social construct and that research cannot be totally value free, but on the other side they believed in the existence of some stable relationships. However, this third phase coincided also with the emergence of more radical methodological points of view, which ultimately ended with the postulation of the so-called incompatibility thesis (Howe, 1988), according to which qualitative and quantitative methodologies could not coexist in a single research. The forth phase, started in the 1960s of the twentieth century, was marked by the emergence of the pragmatists (Howe, 1988) that challenging the incompatibility thesis supported the idea according to which qualitative and quantitative methodologies were not mutually exclusive. Pragmatists consider the two methodologies as a continuum of the scientific research. They support the idea that reality is both subjective and objective, and they employ both deductive and inductive logic (Onwuegbuzie, 2002). Even if the partisans of the two methodologies still exist, and the methodological debate is still present in the academia, from the 1980s of the twentieth century mixed methods evolved as a distinct research approach, and mixed model studies emerged, employing a combination of qualitative and quantitative methods at different stages of the research process (Onwuegbuzie & Leech, 2005).

One of the major differences between qualitative and quantitative research is the role occupied by the theory, and the use of inductive, and deductive reasoning is what mainly differentiate purely qualitative and purely quantitative researcher. In quantitative research, the theory
precedes the observation, and it is used by the researcher in order to set up hypotheses that can be tested empirically, employing statistical tools. The form of reasoning employed is deductive since the hypotheses are derived from the theory. On the contrary, in qualitative research, the theory usually follows the observation and, in some sense, is the very result of the research. The form of reasoning here is inductive since the theory is induced in a process developed by observing a phenomenon. Nevertheless, the presence of such differences among the two research methodologies are not sufficient to definitively assess the scientific superiority of one method over the other, nor they are an evidence that they cannot be employed jointly. On the contrary, their combination can provide several significant benefits.

Mouly (1970), yet in the 1960s, described multiple-perspective research as "the essence of the modern scientific method [...] Although, in practice, the process involves a back-and-forth motion from induction to deduction, in its simplest form, it consists of working inductively from experience to hypotheses, which are elaborated deductively from implications on the basis of which they can be tested". In other words, through the inductive and the deductive reasoning, qualitative and quantitative research can interact in what (Newman & Benz, 1998) called an interactive continuum. The notion of interactive continuum (Figure 4.1) is important because it helps to understand how the two methodologies can be combined and used within a single research project. The continuum is interactive because the two methodologies can create several feedback loops that move back and forward to one another. In their volume, Newman and Benz (1998) show that when we confront
with a certain research question, in social sciences, employing the two methodologies in different research’s stages can greatly enhance the understanding of social phenomena. A research, for instance, can begin as a qualitative research with a field study or a case study and then can continue with a quantitative analysis of the data collected. At the same time, the finding of both the qualitative and the quantitative research can lead to a modification of the initial theory and so to the generation of further new hypotheses. Therefore, if the research methods are considered without the incompatibility preconception, it become clear the fact that using them jointly can offer considerable advantages to the researcher.
Extreme positions are often counterproductive, and in the case of research methodologies they can constrain the researchers’ capability to study a phenomenon. Practically speaking, the ontological and epistemological assumptions of qualitative extremists, with their negation of the possibility to find regularities in social sciences, have the
consequence of limiting the knowledge one could reach about a certain question. On the other side, quantitative extremists’ assumptions that empirical facts exist only apart from personal ideas or thoughts, that they are always measurable, and they always governed by laws of cause and effect, pose several problems when one tries to apply them in the realm of social sciences providing, at the end, the same consequences of qualitative extremism.

4.2 Mixed method research: a more comprehensive approach

The relation between democracy and inequality has been massively investigated in the last forty years, nevertheless, scholars did not reach homogeneous conclusions, and a certain dose of disagreement about either the eventuality of the existence, and the form and the shape of the relation is still present in the empirical literature. It is important to stress that most of the researches carried out on this topic have been developed by economists, or anyway by purely quantitative scholars. Moreover, with some notable exceptions (such as Acemoglu and Robinson, 2005), the approach to the study of the phenomenon have been focused mainly on testing existing theories, and refining the employment of statistic’s tools and methodologies, rather than on trying to refine and develop the theories.

Consequently, looking at the theories elaborated to explain the relation between democracy and inequality, it seems to emerge the lack of a theoretical framework capable to gauge the great complexity of the
interactions existing between the two variables. The theories elaborated so far seem to be highly fragmented, each of which considering a relatively small part of the phenomenon and leaving aside important others. Phrasing it differently, they seem to oversimplify the phenomenon. Simplification, of course, is needed to construct a theory capable to fit with most cases, and it is essential to elaborate generalization, still an oversimplified theory, when employed to test empirically a certain phenomenon, can lead to a misunderstanding of the subject investigated. This could explain the fact that most of the theories, when empirically tested by different scholars, sometimes are confirmed, while other times they are rejected. The fact that all of them seem to work for some cases, and not for others, seems to suggest that they need to be incorporated in a single, and more complex, theoretical framework, or that there are some mechanisms and variables that have not been yet considered (or both the options). For all these reasons, in this work, I choose to employ an analytic strategy merging in some ways qualitative and quantitative approaches.

The qualitative approach is a powerful tool when one tries to develop a complex theory about social phenomena. Throughout the study of specific cases, using a mixed inductive/deductive reasoning, in fact, it allows to find pattern and regularities governing the observed phenomenon, which can be employed to develop a more precise theory, and then to break it down into more informed hypotheses. In particular, the case study analysis is an excellent instrument that has a number of advantages, and it is strong precisely where quantitative and formal methods are weak: case studies can enhance the research’s con-
ceptual validity, with their procedures they can foster the development of new hypotheses, they allow to examine closely the hypothesized role of causal mechanisms within individual cases and they are capable to address causal complexity (George Bennett, 2005).

In a comparative perspective through the analysis of some relevant deviant cases (i.e. cases deviating from the theories emerged in the literature review), especially useful in generating new hypotheses or adjusting theoretical propositions (Della Porta & Keating, 2008), I will try to disentangle the principal mechanisms involved in the relation, to assess the possible presence of important omitted variable, and to verify the presence of secondary causal mechanisms interfering with the principal ones. The case study method, in fact, has the advantage of allowing scholars to perform inductive analyses of the dynamics occurring in a given country, and this procedure can be extremely useful in elaborating a more accurate and complete theoretical framework. In this sense, in fact, the study of deviant cases employed in this work could be in some sense included into the qualitative research category not because it employs a purely qualitative research methodology, rather because it uses an inductive rather than deductive approach. At the same time, the quantitative approach is a powerful instrument to test the hypotheses and theories previously elaborated. All in all, testing a theory is the only way to confirm or to reject it. Therefore, contrarily to the studies carried out so far, I will jointly employ the two methodological approaches in the hope that this will lead to most robust results.
Figure 4.2 shows my interpretation of the interactive continuum framework, and it describe the way in which the research will be developed. As it can be easily noticed, my interpretation is different, and in some sense simplified, with respect to the one proposed by Newman and Benz (1998). For the sake of simplicity, in order to illustrate and to justify the changes made to the scheme produced by Newman and
Benz (1998), let’s consider the research’s process as a three-stage process composed by: i) preliminary analysis; ii) qualitative analysis; and iii) quantitative analysis.

Firstly, in what I called preliminary analysis, Newman and Benz begun with the choice of the topic of interest and the elaboration of a theory, followed by the literature review, the definition of the terms, and the definition of the research question. According to the two scholars, the latter three processes interact among them in a way in which each step can change and evolve due to the results of the other two steps. Differently, my diagram starts with the setup of the research question, followed by the literature review and the definition of the terms (the second and the third stages however, could also be inverted). The first can interact with the second, and the second with the third, but the third cannot influence the first. In other words, on the one side, starting with the theory can misguide the scholar biasing the following steps. On the other side, while the interaction between the literature review and the definition of the research question, and between the literature review and the definition of the term seem to be quite straightforward, the forth and back interaction between the definition of the research question and the definition of the terms appears to be problematic. It is difficult to imagine how the definition of the terms can modify the research question one would answer.

Therefore, the definition of the research question should precede any other step since if one does not have clearly in mind which is the question that one would like to answer, it is difficult even to decide which literature should be revised, or which terms must be defined. At
the same time, starting with a complete (or even partial) theory about
the object one would investigate can influence, consciously or not, other
aspect of the research such as the selection of the literature. Of course,
most scholars starting a research project have some idea about the pos-
sible answer, still to increase the level of objectivity one should try to
think about the studied phenomenon avoiding being guided by precon-
ceptions. And this means that if one employs a mixed research ap-
proach, the theory should follow at least the review of the literature
rather than precede it.

Concerning the second stage, a consequence of the changes oper-
ated to the preliminary stage is that the qualitative analysis (in my case
the study cases) and the formation of the theory pertain now to the same
stage, however, speculation and theory that in the view of Newman and
Benz (1998) are considered a single step, are now divided in two dis-

tinct steps where speculation precede the theory, and where its interacts
with the qualitative analysis, while the theory formation is the result of
latter and does not interact with the other components. The problem of
considering them a single step is semantic as well as practical. Seman-
tically speaking, according to the Cambridge online dictionary the term
“speculation” is defined as “the activity of guessing possible answers to
a question without having enough information to be certain”, while the
term “theory” is defined as “a formal statement of the rules on which
a subject of study is based or of ideas that are suggested to explain
a fact or event”. The two definitions show how they are two distinct
operations, and the difference is the quantity of information possessed
by the subject performing the operations. Both the processes involve a
certain degree of uncertainty but to develop a theory it is required the possession of a bigger quantity of information rather than in the case of speculation. Therefore, practically speaking, in my view, for the sake of precision the correct pattern research should follow is that of collecting information through the review of the preliminary research stage, speculating about the functioning of the phenomenon, using the speculation in order to setup the case study analysis, and finally using the results of the case study analysis to develop a more consistent theory. More consistent because the information on which it is based are now more, better, and deeper than before. If there is the need, namely if the qualitative analysis shows that the speculation and consequently the same analysis need to be revised, one can move back and forward from the speculation to the qualitative analysis, or even restart the entire process by changing the research question. Still the formation of a theory should be always the arrival point of the qualitative analysis.

The third stage, namely the quantitative analysis, does not diverge too much from the one proposed by Newman and Benz (1998). Both representations are guided by the same underlying logic and present the same pattern. The quantitative analysis must start setting up one or more testable hypotheses, then the researcher has to collect and to analyse the data required to test them. Finally, the analysis produces some results from which the researcher sums up some conclusions. The conclusions can confirm the testable hypotheses and consequently the theory, but they can also reject them. Ad similarly to Newman and Benz’s scheme, depending on the type of results obtained, in the second case the researcher can reboot its research from several previous steps.
One could reformulate different testable hypothesis, change the theory or the speculation, or reformulate the research question. In any case, when moved back to a previous step one must follow again the other steps until reaching new and different conclusions.
A case study analysis to develop a complex theoretical framework

5.1 A brief introduction to the case study analysis

As I already pointed out, the qualitative analysis, in this work, is employed in a functional way to try to disentangle the mechanisms underlying the relation investigated. As highlighted by Fearon and Latin (2008), case studies represent a valuable tool for assessing whether the speculation proposed to explain the functioning of a certain phenomenon are plausible or not, allowing to develop a theory that, once translated into testable hypotheses, can be verified empirically. This is the basis of what is usually called multimethod research. The strategy is that of building a theory from the scratch (or refining an existing theory)
by analyzing certain cases and, in a second stage, to test the elaborated theory through the employment of quantitative analysis.

To move further to accomplish this works’ goal, as previously discussed in Chapter 4.2, before to begin the case study analysis, it is necessary to operate some speculation about the functioning of the relation between the two main variables considered. Indeed, at the end of the exercise the speculation may turn out to be right or wrong, or to need to be adjusted before being converted in a complete theory, however, the speculation is essential because it will guide the case studies by focusing the attention on specific mechanisms and sub-mechanisms.

From the literature review, as well as from my previous works (Cellini, 2015), it seems plausible to suppose that the relation between democracy and inequality is shaped by multiple factors and variables, some of which are direct and clearly identifiable, while others are indirect and/or not immediately identifiable. At the same time, it is also plausible to suppose that the relation in object is not unidirectional. As we have seen through the literature review, several studies seem to confirm that while democracy affects inequality, the latter variable can affect the former. In other words, I assume the presence of a reciprocal causal relation.

More specifically, I assume that the regime type of a state can affect the level of income inequality through two principal channels: a direct one, namely the redistributive requests of the population; and an indirect one, namely the enhancement of the educational system. At the same time, income inequality could affect the political regime of a state. High levels of income inequality could result in social disorders, which
in a democratic state could lead to the implementation of antidemocratic policies, while in autocratic states could lead to repression, also through the use of violence, or to a regime change. On the contrary, very high levels of redistribution, generated through taxation or through the increase of minimum wages, could create discontent between the richer portion of the population which could result, in the more pessimistic hypothesis, in a *coup d'état* operated in order to protect its economic interests.

Therefore, in principle, since within democratic countries citizens are usually more educated (Burkart 1997; Cellini, 2015) and they can influence the creation of redistributive policies, one would expect that democratic countries should show lower levels of income inequality than non-democratic countries. At the same time, one would expect that non-democratic regimes with high levels of income inequality should show higher levels of unrest and social disorder, and that this would lead to more frequent regime changes (Muller, 1988).

The empirical analysis, however, show mixed empirical evidence, reporting several cases in which these expectations are not realized. Hence, I suppose that there are some secondary mechanisms that sometimes contrast with the principal ones, and which in specific cases can compromise their functioning. For this reason, in the next sections, I will analyze three deviant cases, namely three cases in which the initial speculation seems to fail in explaining the relation between our two principal variables.

The cases that will be analyzed have been chosen for being particularly paradigmatic in their deviation from the theory. The first is
the case of the United States, a country where despite being considered one of the most democratic countries in the world, has always shown very high levels of inequality when compared with other consolidated democracies. The second is the case of Hungary, a country in which, on the one side, income inequality has been quite modest during its non-democratic experience and where, on the other side, it increased steadily following the transition from an authoritarian to a democratic regime. Finally, the third is the case of China, a country in which despite the level of inequality has dramatically increased since the end of the 1970s, the stability of the regime has never been seriously in danger.

With the analysis of the three case studies, I hope to find generalizable hypotheses explaining the reasons why in specific cases the theory fails to describe the relation between country’s regime and its levels of inequality.

5.2 The American Case

As we have seen, according to the literature and to our speculations, democratic countries should show relatively low levels of inequality. At the same time, democratic countries with high levels of inequality should show frustration between the poorer section of the population, which could give rise to extreme forms of protests or in the worst scenario to the challenge of the democratic method itself. The American history seems to contradict both these speculations.

The US is one of the most ancient among modern democracies. Its constitution, drafted in 1778, is the very first modern written constitution in the world, and according to most democratic indices, US
has the maximum democratic score since very long time. PIV, for instance, awarded US with the maximum democratic score from 1872 to 1963 and again from 1965 to 2016 when it has been downrated by two points following the polarization of political competition between “anti-establishment” and “anti-Trump” factions (Figure 5.1). However, despite being considered one of the oldest and strongest democracies, its levels of inequality have constantly raised since the 1980s (Figure 5.1 and fig:5.2).

Figure 5.1: United States democracy score by Polity IV for the years 1800-2016, and inequality measured by the Gini index for the years 1962-2016

Source: Author’ elaboration based on Polity IV data for the democratic score, and on Solt (2016) for the Gini index

Moreover, if compared with other western consolidated democracies, how shown by Figure 5.2, US have been also one of the most
unequal countries since 1960, and the very most unequal country since 2003. In addition, compared with western countries, US presents also relatively high level of poverty (Figure 5.3).

Figure 5.2: Income inequality measured by the Gini index 1960-2016

Source: Author’s elaboration based on data provided by Solt (2016).
But why US presents so high levels of income inequality even being considered as one of the most democratic countries in the world? Several studies have been carried out to understand what the source of such an apparent contradiction could be. Several reasons have been pointed out, however, the high level of income inequality seems to depend mainly on the differences in opportunities, which in turn would depend on gender, race and other socio-demographic variables.

In 2002, the Council of the American Political Science Association (APSA) approved the appointment of a Task Force on "Inequality and American Democracy" with the aim of investigating the causes of American inequality. A fifteen-member task force was convened in January 2003, and it collectively worked during the subsequent eigh-
teen months to prepare an extensive review of researches on inequality and American democracy. In their report, scholars participating to the APSA task force concluded that:

"Disparities of income, wealth, and access to opportunity are growing more sharply in the United States than in many other nations, and gaps between races and ethnic groups persist. Progress toward realizing American ideals of democracy may have stalled, and in some arenas reversed" (Schlozman, Page, Verba & Fiorina, 2004).

According to their analysis, the increased concentration of wealth experimented by the American society starting from the 1970s, and the increased widening of the gap not only between rich and poor but also between the rich and the middle class, generated an enormous gap in the levels of political participation among American citizens, with the poor not even usually participating in elections, which contributed to a further worsening of income inequality levels. Using their words:

"The privileged participate more than others and are increasingly well organized to press their demands on government. Public officials, in turn, are much more responsive to the privileged than to average citizens and the least affluent. Citizens with low or moderate incomes speak with a whisper that is lost on the ears of inattentive government, while the advantaged roar with a clarity and consistency that policy makers readily heed" (Schlozman, Page, Verba & Fiorina, 2004).

In other words, the APSA Task Force highlighted a relation between economic and political inequality. In a situation in which rich people are politically active and well organized while poor people are not, the former can better persuade the governments to implement po-
political programs favouring their interests at the expenses of those of the latter.

The picture presented by the ASPA Task Force seems to be confirmed also by subsequent researches. One year after the APSA report, Hacker, Mettler and Pinderhughes (2005), for instance, pointed out that most of the source of the American inequality should be traced down on the type and quality of public policies implemented throughout the time by the American governments. American welfare state, in fact, has always been relatively very limited, both in terms of public spending and extension, if compared with that of most western country (Figure 5.4). Therefore, while other western countries’ governments have employed public spending effectively to reduce economic inequalities, independently from what they were originated, the American government never used seriously this mean of redistribution.
Indeed, the existence of a strong relation between income inequality and public social spending, regardless of the country’s regime type, is not a mystery. Nevertheless, the fact that US, being considered a *de jure* as well as a *de facto* fully democratic country, presents so high levels of income inequality and so low levels of public social spending, contradicts the well-known classic theory according to which within a democratic country, where all citizens have the right to vote for their representatives and where the poor section of the population is bigger than the rich section, the former will organize themselves in order to claim the implementation of more redistributive policies, and doing so they will contribute to lower income inequality levels.

Source: Author’s elaboration based on data provided by OECD (2017b)
5.2.1 American citizens’ perceptions on inequality and redistribution

Therefore, a first question that arise here is whether American citizens, compared to other western countries’ citizens, do or do not consider income inequality as a problem which the state should address. But also, a second question arises: are American poor citizens more worried than rich citizens about inequality? And are they more demanding for redistribution? If the APSA report’ conclusions were able to entirely explain the American situation, we should find rich people to be against redistributive policies, not worrying about the country’s levels of income inequality and, at the same time, we should observe a diametrically opposed attitude within poor citizens.

To try to assess this dilemma, we can rely on the data provided by Inglehart, et al. (2014) within the World Value Survey (WVS)\textsuperscript{14}. The WVS\textsuperscript{15} provides nationally representative surveys conducted in almost 100 countries which contain almost 90 percent of the world’s population, using a common questionnaire. Doing so, it is the largest non-commercial, cross-national, time series investigation of human beliefs and values ever executed, currently including interviews with almost 400,000 respondents. The WVS allows us to verify what is the attitude of American citizens toward inequality and redistribution, as well as what is their idea about the role of the government in dealing with

\textsuperscript{14}For detailed information about the World Value Survey, see: \url{www.worldvaluesurvey.org}

them.

To answer our questions, we will analyze the answers interviewees gave to three WVS’s queries: i) "should income be made more equal or larger income differences are needed as incentives for individual efforts?"; ii) "is or is not income equality an essential characteristic of democracy?"; and iii) "is or is not taxing the rich and subsiding the poor an essential feature of democracy?". All the data are extracted from the Wave 6 of the WVS, which comprises data collected from 2010 to 2014.

Figure 5.5: Mean answers to the question: Should income be made more equal or larger income differences are needed as incentives for individual efforts?

Source: Author’s elaboration based on data provided by World Values Survey Wave 6, 2010-2014, v.20150418.
Figure 5.6: Mean answers to the question: is or is not income equality an essential characteristic of democracy?

Source: Author’s elaboration based on data provided by World Values Survey Wave 6, 2010-2014, v.20150418.
Therefore, for a series of selected countries, we depicted the mean answer gave by all respondents. As we can see from Figures 5.5, 5.6 and 5.7, when compared with other western countries, American citizens have a peculiar attitude toward income inequality, and to the role of the government in dealing with it within a democratic regime. American citizens on average seem to believe more consistently than most of the other western democracies’ citizens that higher levels of income inequality are needed in order to create incentives for individuals to increase their efforts in trying to advance in the social scale. Accordingly, they do not seem to consider income equality to be an essential characteristic of democratic regimes and, in the same direction, they seem
convinced that a democratic state should not tax the rich in order to subsidize the poor.

To answer our second question, namely "are American poor citizens more worried about inequality and more demanding for redistribution than rich citizens?", I will analyze the mean answers US citizens gave to the same queries, disaggregating the data by participants’ level of income. The WVS divides the interviewee’s level of income according to ten categories, from the lower to the higher ladder of the scale. As we can see from the Figures 5.8, 5.9 and 5.10, data seem to contradict partially the conclusions of the APSA Task Force according to which inequality of income would be imputable mainly to political inequality.

Figure 5.8: Mean answers to the question: Should income be made more equal or larger income differences are needed as incentives for individual efforts? Disaggregated by the respondents’ level of income

Source: Author’s elaboration based on data provided by World Values Survey Wave 6, 2010-2014, v.20150418..
Figure 5.9: Mean answers to the question: is or is not income equality an essential characteristic of democracy? Disaggregated by the respondent’s level of income

Source: Author’s elaboration based on data provided by World Values Survey Wave 6, 2010-2014, v.20150418.
Figure 5.10: Mean answers to the question: is or is not taxing the rich and subsiding the poor an essential feature of democracy? Disaggregated by the respondents’ level of income.

According to the data, in fact, with respect to middle class citizens, on average, worst-off citizens have a stronger conviction about the necessity of making income more equal (Figure 5.8), the importance of income equality as a characteristic of democracy (Figure 5.9), and the necessity of taxing the rich in order to subsidize the poor and redistribute the wealth (Figure 5.10). It is interesting to note, however, that on a scale ranging from 1 to 10 worst-off citizens’ answers on average has been around 5, meaning that in absolute terms they were not considering those characteristics to be so essential. At the same time, it is also interesting to note that the richest citizens on average responded
with similar answers than the poorest and, indeed, in the case of the answer about the necessity to taxing the rich to subsidize the poor, they responded even with a stronger conviction than the poor.

Therefore, without denying here a relation between income and political inequality, data seem to suggest the necessity to rethink the causes of the former by looking also at how citizens perceive it, and moreover at why citizens perceive it in the way they do. Wording it differently, WVS’s data suggest that we should not take for granted the fact that, within a democratic country, worst off citizens will ask for redistribution, since we cannot take for granted that they will consider economic inequality as a negative issue that governments should deal with. And following this logic, on the other hand, we should begin to try to understand why in some countries income inequality is seen as a problem to solve while in other countries, such as US, this does not seem to happen so markedly. For what concerns the US, several factors could have contributed to the spread of such an attitude among its citizens. In the next sections we will examine two main factors, the role of liberalism in shaping American political though, and the role of social mobility in shaping American preferences on inequality and redistribution.

5.2.2 The role of liberalism in shaping US citizens believes on inequality

From a philosophical perspective, it is possible to trace back the American aptitude toward inequality by looking at the development of the American political thought, and in particular at the role of liberal-
Without the pretension here to present a full assessment of all the variants of the American philosophical political thought, it is sufficient for our discourse to stress the importance that the liberal thought have had in American history, and that with different degrees the liberal idea that the government should not extensively interfere in the life and organization of its citizens (including the economic sphere) is deeply rooted in the American view, either economic and philosophical.

Indeed, different forms of liberalism have been developed within the American context (McGowan, 2007), but all of them with different degrees emphasized the importance of individual freedom, the necessity of little intervention of the state in individual affairs, and the positive role of inequality as an incentive for individual in fostering their efforts. From the more extreme pole of laissez-faire liberalism as proposed by von Hayek, to the more nuanced pole of modern liberalism as interpreted by Rawls, according to which income differences could be allowed if they improve the circumstance of the worst-off (Kangas, 2000), liberal thought long supported the idea that some degree of inequality is positive and desirable in order to maximize economic prosperity, and doing so individual well-being. So, Liberal philosophy in its different forms could have contributed to shape US citizens’ believes about inequality, and this could explain why also a consistent part the worst off share of them do not strongly support redistributive policies. The triumph of liberalism within American society could also explain the differences in the levels of American inequality compared with other western countries, where liberalism never gained the undisputed role it
gained in US. Within the European context, in fact, liberalism have been certainly an important line of thought, and it contributed extensively to shape the European political life within states as well as among states but, in Europe, liberalism have also competed with other strong philosophical political views such as socialism and communism (in their different interpretations), which in turn generated their own political conviction and practices, often mixing and overlapping with liberalism. This happened in several European countries, which in fact are often called social-democracies, where the liberal form of states governed by the classic liberal scheme of check and balances, incorporates norms and models attributable to the socialist political views.

But even a second feature of liberalism, as interpreted by the American society, could have contributed to the spread of such an attitude toward inequality. As pointed out by Johnston (1996):

"Liberal individualism -the claim that only individuals count- is the substance and strength of the liberal tradition. But liberal individualism misinterpreted is the Achilles’ heel of the liberal tradition. Liberal individualism is misinterpreted when it becomes transmuted into the view that since only individuals count, individuals need to think only about themselves, about their shares, and about whether their rights have been respected or violated, whether they have received or failed to receive their fair share. Liberalism misinterpreted fosters the perception that people can best secure the means to be effective agents by carving out for themselves the most extensive set of rights, and the largest bundle of commodities, they can obtain. That perception is false. It has the truth-value of the perception -a perception that is, tragically,
widely shared in the United States- that since some criminals have guns, the best way to protect oneself against violence is to obtain a gun. Unfortunately, the result of this action is too often that someone gets shot, and the victim is rarely a criminal caught in a criminal act."

Liberal individualism of course could explain why the richer part of US citizenry opposes redistributive policies and considers inequality as a positive characteristic to maximize economic prosperity, but indeed it cannot fully explain by itself why also the worst of part of US citizens shares this conviction.

5.2.3 The American dream and the legend of the self-made man

As I pointed out in the previous section, the legacies of liberal thought could partially explain why US citizens oppose redistributive policies and consider inequality as a positive characteristic to maximize economic prosperity, moreover it could also partially explain why despite the high levels of inequality, American citizens have never seriously questioned the principles of democracy, nor the democratic method. It could explain it only partially because in an individualistic perspective it is difficult to explain why worst-off citizens, as showed by data presented in Figures 5.8, 5.9 and 5.10, also share this conviction, instead of increasing their demand for redistributive policies. To understand this second point, another piece of the puzzle can be found by considering another characteristic distinguishing American society, what it is commonly known as the American dream.

American dream identifies the US national ethos, encompassing
several ideals included under the hat of this term. There is not a single shared definition of the concept associated with this term, and several connotations have been attached to it throughout the American history. The term American dream was coined in the 1930s by James Truslow Adams, who wanted to use it as a title for a publication that, in light of the suggestions and criticisms of his editor, ended up as "The Epic of America" (Cullen, 2004), to denote "[the] dream of a better, richer, and happier life for all our [US] citizens of every rank, which is the greatest contribution we have made to the thought and welfare of the world" (Adams, 1931). However, apart from the first usage of the term, as pointed out by Cullen (2004), the concept of American dream encompasses so many ideals that it would be more correct to speak about it as American dreams. In his book "The American dream: A history of an idea that shaped a nation" Cullen retraces all that ideals of the American dreams from the puritan arrivals in the sixteenth century to nowadays, showing how the American dreams changed over time, often overlapping one another.

Indeed, among the American dreams there is a specific one that has accompanied American citizens throughout their country’s history, and that has become the principal dream since the nineteenth century, namely the dream of social and economic success or, in short, the dream of a better life. Since US foundation, for very long time, every new generation of American citizens (or for some time at least white American males) has had the reasonable expectation of ending up in a better socio-economic position than their parents done. In the new world there was plenty of opportunities, and with commitment, diligence and abnega-
tion there was a high probability to achieving better results with respect to the past generations. Phrasing it differently, upward mobility was quite common for those people who was ready to work hard to gain it. In this context, the rhetoric of the self-made man encountered a fertile ground in which proliferate, and it became another relevant part of the American national ethos.

The American dream, with the rhetoric of the self-made man could have strongly contributed to the American attitude toward the role of inequality within the society, and toward the implementation of redistributive policies, also from the perspective of the worst-off segment of the population. If someone firmly believe that, by working hard, there is a concretely high possibility of moving up along the social ladder, it is plausible to expect that no matter what his actual income level is he will be more prone on the one hand to accept higher levels of income inequality and, on the other hand, to not ask for the implementation of redistributive policies, since in the long run this would mean to found a situation in which he would pay more taxes in order to subsidize the poor, which in such a vision of the world are poor basically because their lack of commitment and hard work.

Nowadays the American dream seems to be much less realistic than it does until the first half of the nineteenth century, still US citizens’ perception about it does not seem to be changed accordingly. Several scholars, in the last years, have worried about this change of paradigm claiming that the American dream is already dead, or at best it is experiencing a major crisis (Hacker, 2008; Putnam, 2016; Chetty, et al., 2010). And from an empirical perspective, as showed by Figure 5.11,
this seems to be the case when one considers the levels of income mobil-
ity registered from the second half of the twentieth century. Data shows,
in fact, that while the 90 per cent of the children born in 1940 ended up
richer that their parents, only about the 50 per cent of the children born
in 1985 earned more than their parents during their lives. Of course, on
the one hand these data do not properly address social mobility since
they only show us that a generation earned more than the previous and
not if the social position of individuals have changed from a generation
to another, and on the other hand part of the variance could in theory
be due to the simple presence of favourable and unfavourable economic
cycles. However, considering that the period considered mostly refers
to a period of general economic growth, it is very likely that part of the
variance may be explained by changes in actual social mobility.
The consequence of this dramatic change in the levels of intergenerational mobility has been that of cancelling the dynamic, which accompanied US citizens generation after generation, according to which whatever was its original socio-economic situation each keen American citizen, with abnegation, dedication and hard work, could have aspired to live a better life. Nevertheless, looking at the data about US citizens believes on such a dynamic (Figure 5.12), provided by the WVS, it seems that this conviction has not been substantially scratched.
Figure 5.12: Answers to the question “In the long run, does hard work usually brings a better life or doesn’t hard work generally bring success because it is more a matter of luck and connections”

Source: Author’s elaboration based on data provided by World Values Survey Wave 6, 2010-2014, v.20150418.

As illustrated by Figure 5.12, answering to the question "In the long run, does hard work usually brings a better life or doesn’t hard work generally bring success because it is more a matter of luck and connections" on average the citizens interviewed showed a quite strong conviction that hard work is what really matter in order to achieve a better life. It is interesting to note that such a conviction is across-the-board over all the ladder of the scale of income considered by the WVS, except for the richest citizens that show an average answer more oriented toward the conviction that hard work does not generally bring success (Figure 5.13).
Figure 5.13: Mean answers to the question “In the long run, does hard work usually bring a better life or doesn’t hard work generally bring success because it is more a matter of luck and connections”, disaggregated by the respondent’s level of income.

5.2.4 the American case’s conclusions

As we have seen, the case of US is a paradigmatic example of what is usually known as a deviant case, if we compared it against the theories emerged in the literature review. The fact that despite its long democratic tradition it shows very high levels of income inequality, when compared with other consolidated democracies, contradicts the classic theory on the relation between democracy and inequality. Moreover, it also contradicts the stability theory on the role of inequality in influencing the countries’ regime, according to which within a democratic country high levels of income inequality could endanger the
The study of the American case raised some interesting points. Firstly, it highlighted that the relation between democracy and income inequality is more complex than how it is usually described, and that the political philosophy in which a country born and matured has a concrete impact on how the population perceives and reacts on the one hand to the levels of inequality and, on the other hand to the implementation of redistributive policies. This could seem a secondary point but, concretely, it implies that the fact that a country appears to be democratic from a procedural and institutional perspective does not assure that it will be automatically more able in reducing the levels of income inequality. In other words, if it is true that a democratic government vis-à-vis a non-democratic one is more naturally open to the demands of all the sectors of the population, it is also true that in order to be willing (and able) to reduce inequality it needs that the population will ask to do so. Therefore, as a consequence, if the population do not perceive inequality as a problem that needs to be solved through redistribution, independently from the regime type of the state, the government will not have any incentives in implementing redistributive policies.

In the second place, the American case showed the presence of another mechanism able to alter the relation, namely the levels of social mobility (and or economic growth). The presence of high levels of social mobility, or the belief of its presence, could generate a more relaxed attitude toward inequality, and aversion toward redistribution. At the same time, obviously, it could reinforce such attitude where pre-existing, as in the US, for a political philosophic tradition. The same
effect could be attributable to high levels of economic growth. If a country experiments high levels of economic growth it is possible that its citizens, finding their income increasing no matter what their social status changes or not, they will be less likely to be worried by income inequalities.

These arguments could explain both the incongruities US seems to have with respect the general theory on the relation between democracy and inequality. On the one hand, in fact, they could explain why US shows high levels of inequality even been considered one of the most democratic countries in the world, and on the other hand, they could explain why despite the high inequality levels the democratic principles, methods and institutions have never been seriously questioned by American citizens.

5.3 The Hungarian case

With the American case, I examined the relation between democracy and inequality within a democratic country. I considered such a relation within a rather static perspective, in fact, I have almost exclusively limited to observing the current level of the variables in question without giving too much attention to their variation over time. This is because, according to the democratic index employed, US is considered a full democracy with the higher democratic rate since the end of the nineteenth century.

In this section, instead, I will examine the relation between democracy and inequality in a more dynamic perspective, within the context of a democratic transition. In other word, I will examine how the two
variables interact in the country’s passage from a non-democratic to a democratic form of government.

Again, according to the literature review, we should find that the increase of the level of democracy within a state should be associated to a decrease in its levels of income inequality. However, Hungary, as many of Eastern European ex-Soviet countries, seems to contradict such a theory.

As most of eastern European countries, Hungary experienced many years of non-democratic rule under the hegemony of the Soviet Union and, during this period, it adopted the communist economic vision of a centralized and planned economy. It started its democratic transition in 1989, after the fall of the Berlin wall, which it contributed to happen when it decided to open its border with Austria, allowing people to safely reach west Germany (Taubman & Savranskaya, 2009). And since then, as we can see from Figure 5.14, it has been classified as a full democracy.
Figure 5.14: Hungary democracy measurement by Polity IV for the years 1868–2016.

Source: Author’s elaboration based on Polity IV data.

As a communist country, with the consequent collectivization of the means of production and its planned economy, similarly to other countries of the Council for Mutual Economic Assistance (COMECON), Hungary succeeded in maintaining income inequality to relatively low levels since the second half of the twentieth century (Figure 5.15).
Figure 5.15: Hungarian Income inequality measured by the Gini index 1960-2016.

![Graph showing Hungarian Income inequality measured by the Gini index 1960-2016.]

Source: Author’s elaboration based on data provided by Solt (2016)

But, as we can see from Figure 5.16, not only Hungary registered low levels of inequality in the period considered, it also registered lower levels than most of the other Eastern countries.
In addition, between 1969 and 1980, Hungary registered lower levels of inequality than most of western consolidated democracies. And even after 1980, when Hungarian inequality increased consistently, Hungary continued to register lower levels of inequality than many western European countries (Figure 5.17).
However, after touching its lower level in the 1980s, with the beginning of the Democratic transition income inequality started to increase again, reaching back the levels of the 1960s, and only several years after the end of the democratic transition, inequality decreased again, though never reaching back the levels registered during the eighties.

Therefore, what happened in the Hungarian context, as it happened in the American case, seems to contradict the classic hypothesis providing that within a country when democracy increases income inequality should decrease. Why this happened? Why has inequality increased despite a successful democratic transition? In the next sections I will try to answer these questions in the hope to shed light on the
mechanisms driving such a pattern.

5.3.1 What happens when democratic transition coincides with economic liberalization starting from a communist regime?

The Hungarian case is a peculiar case of democratization since, as happened in several Eastern European countries, the phase of political liberalization has been preceded and accompanied by a phase of economic liberalization. Phrasing it differently, political liberalism has been embraced jointly with economic liberalism, which ended with the abandonment of the centralized and planned economy in favour of a decentralized and liberal one.

As we already pointed out, after the end of the Second World War, Hungary felt under the sphere of influence of the Soviet Union and, under the rule of the local communist party, it adapted to the soviet economic vision, at least until the implementation of the well-known New Economic Mechanism (NEM) in 1968. More precisely, Hungary adopted a less draconian version of the Stalinist vision, which practically implied the development and the implementation of five-years economic plans, the collectivization of the lands, and the overemphasis of heavy industry at the expenses of consumer goods. After the revolution of 1956, ended with the Hungarian occupation by the Red Army, the installation of the Kádár regime brought a gradual economic liberalization, and the abrogation of several measures undertook by the former government of Rákosi, which even without detaching too much from the Soviet model succeeded in improving the standard of living
of Hungarian citizens (Fenyo, 2000). During this period, the levels of inequality decreased consistently. From the end of the 1950s to the end of the 1960s, the Gini index decreased from about 0.29 to about 0.26 (on a scale ranging from 0 to 1, where 0 represent a completely equal distribution while 1 a completely unequal one).

The decreasing trend of inequality continued, and become even more marked, with the implementation of the NEM, introduced in 1968. The NEM, implemented several changes in the Hungarian economic system, among which a partial decentralization, and major liberty for the private sector in deciding what and how to produce and which technology to employ (Granick, 1973), a more active role of prices (Hare, 1976), and the possibility to consumers to choose to buy imported rather than domestic goods (Balassa, 1970). In other words, the NEM resulted in a totally new typology of economy, which could be placed in the middle between a centralized and a free market types of economy (Bauer, 1990). During the 1970s Hungarian inequality continue to decrease, touching its lower levels since the second half of the twentieth century.

The situation in terms of inequality changed again in the mid-1980s, when further economic reforms had been implemented to move toward a completely free market economy, and even more markedly after the fall of the Berlin wall and the fall of the Soviet Union, when Hungary start to complete its economic transition. During this period, in fact, income inequality grew sharply, and since then it never reached back the low levels of the late seventies.

Indeed, as suggested by several scholars, the simple passage from a socialist to a capitalist economy is likely to generate an increase in
income inequality (Murrell, 1993; Bandelj & Mahutga, 2010). There are several reasons to explain the phenomenon but, as demonstrated by Bandelj and Mahutga, two scholars of the University of California, the increase of inequality can be ascribed to four principal variables: the expansion of the private sector; the retrenchment of the redistributive state; the social exclusion of ethno-national minorities; and the penetration of foreign capital. But the Hungarian case shown also that through a gradual rather than an abrupt economic transition, some of the negative effects in terms of inequality could be reduced. The gradualness of the economic transition, represented by the temporary introduction of a mixed economy through the implementation of the NEM, in fact, could have contributed to the good performance in terms of inequality showed by Hungary when compared with the other ex-Soviet countries.

5.3.2 The perception of inequality and redistribution in Hungary, and the role of corruption in shaping them

The study of the American case highlighted the importance of how inequality and redistribution are perceived among the citizens. In a democratic context, in fact, the government will implement redistributive policies able to decrease inequality if, and only if, citizens will demand the government to do so. The simple fact that the poor section of the population is usually bigger than the richer one, alone, does not automatically assure that the former would ask for the implementation of redistributive policies. To have such a result, in fact, one needs that the population perceives inequality as a social problem and consequently
that it considers redistributive policies as a solution to that problem.

Since Hungary, as I shown in Figure 5.16 and 5.17, experimented relatively low levels of inequality when compared with other Eastern as well as Western countries, if the previous reasoning is correct one should find that Hungarian citizens consider inequality as a social problem and, at the same time, that they support the implementation of redistributive policies. And data actually confirms the presence of such an attitude. Employing the data collected by the WVS, as I have done for US, we can observe that Hungarian citizens, on average consider inequality as a problem that should be solved, rather than an incentive to foster individual efforts (Figure 5.18). And at the same time, they consider redistribution to be an essential characteristic of democratic regimes (Figure 5.19). In a comparative perspective, it is interesting to notice that on average, except for Hungary and Poland, Eastern European citizens support the idea according to which income differences are needed in order to foster individual efforts (Figure 5.18). At the same time, except for Bulgarian, on average citizens within all Eastern European countries considered show a high level of conviction about the importance of redistribution (Figure 5.19)
Figure 5.18: Mean answers to the question “Should income be made more equal or larger income differences are needed as incentives for individual efforts?” - Survey Wave 5: 2005-2009.

Source: Author’s elaboration based on data provided by World Values Survey Wave 6, 2010-2014, v.20150418.
However, despite most of the citizens of the Eastern European countries considered seem to agree about the importance of implementing redistributive policies, and despite most of them agree about the necessity to made income more equal, the levels of income inequality diverge significantly from a country to another, as shown in Figure 5.16. Moreover, if it is true that, following the democratic transition, inequality increased in almost all Eastern European countries, it is also true that even the extent to which inequality increased, and the capability to decrease it again after the conclusion of the democratic transition, significantly varied from a case to another.

Which could be the sources of such a difference? A first answer,
as pointed out in the previous sections, can be the way in which the economic liberalization has been accomplished alongside the democratic transition. The Hungarian case, in fact, seem to suggest that when the economic liberalization is carried out incrementally rather than abruptly, it returns greater results in term of inequality levels. At the same time, as already suggested by the American case, the Hungarian case seems to confirm that how citizens perceive inequality and redistribution is another important variable in shaping the national levels of inequality.

However, there could be at least an additional variable able to explain the different outcomes in terms of inequality reached by the ex-Soviet countries, namely corruption. As I already pointed out, the logic underlying the theory according to which democracy should negatively influence the levels of inequality relies on the assumption that within a democratic regime, vis-à-vis within a non-democratic regime, the worst-off section of the population is more able to influence the implementation of redistributive policies at the expenses of the richest section. Unfortunately, this is not always the case. The richest citizens, in fact, could be able to convert their economic power into political power and, by corrupting the political and bureaucratic apparatus, they could prevent the implementation of redistributive policies.

Corruption, for instance, could help to explain the different outcome in terms of inequality reached by Hungary and Latvia following their democratic transitions. The choice to compare the two countries depended on the fact that, as shown by Figure 5.20, at the end of the 1980s both were registering about the same level of inequality.
But when the democratic transitions took place, between the end of the eighties and the beginning of the nineties, Latvian inequality started to increase far more sharply than the Hungarian one.

Figure 5.20: Income inequality measured by the Gini index in Hungary and Latvia, for the years 1980-2015.

Source: Author’s elaboration based on data provided by Solt, (2016).

Employing data on corruption provided by Kaufmann, Kraay and Mastruzzi (2010), which measure the level of corruption perceived by citizens, Figure 5.21 shows the pattern of corruption in both countries. According to the scale employed by the Control of Corruption Index, higher values correspond to lower levels of corruption while lower values, at the contrary, correspond to higher levels of corruption. Data show how at the end of the nineties Latvia was perceived as much more corrupted that Hungary, but during the following years its score, ex-
cept from a minor break between 2008 and 2011, has continuously aug-
mented. Therefore, it is possible that the great difference in corruption
levels within the two ex-communist countries contributed to the differ-
ent outcome in terms of inequality following their democratic transi-
tions. Looking at the correlation between the corruption index and the
Gini index within the two countries, in fact, we can see that they are
negatively correlated, so as that an increase in the value of the corrup-
tion index (namely a decrease of corruption) is associated to a decrease
of the levels of income inequality (Figure 5.22).

Figure 5.21: Corruption levels in Hungary and Latvia, measured by the
Corruption Perception Index, for the years 1998-2015.

Source: Author’s elaboration based on data provided by Kaufmann,
Kraay and Mastruzzi, 2010
5.3.3 The Hungarian case conclusion

The Hungarian case showed us a pattern in which, even maintaining low levels of inequality compared with other Eastern European countries, as well as compared with Western consolidated democracies, the increase of democracy coincided with an increase of income inequality. A similar pattern has been followed by almost all the ex-soviet countries, but with different outcome in terms of rising inequality.

From the analysis of the Hungarian case, we can reach some preliminary conclusions that will help us later to develop a more complex theory for explain the relation between the political regime of a country
and its levels of income inequality.

Firstly, the study of the Hungarian case seems to suggest that non-democracies are not all the same, and that the economic organization of a country is an important variable, as much as the political organization, in shaping income inequality within a country. The fact that Hungary, as well as almost all ex-Soviet countries, experimented an increase in the level of inequality that coincided with its democratic transition could be better explained by considering their passage from a communist to a capitalistic type of economy rather than by the abandonment of a non-democratic regime in favour of a democratic one. Phrasing it differently, the Hungarian case seems to suggest that a capitalistic liberal and neoliberal economy generates higher levels of income inequality regardless of whether it is placed in a democratic or non-democratic context. This also raises another consideration: beyond the countries’ form of government, even the very positioning of the governments within the political spectrum do matter with respect to the outcome in terms of inequality. In fact, the Hungarian case, as well as most of the other ex-Soviet countries, demonstrates that a leftist government (in this case a communist one) tends to be associated with low levels of income inequality.

At the same time, the Hungarian case confirms what has been already suggested by the study of the American case, namely that the way in which a government, democratic or not, decides to deal with inequality and redistribution is strongly dependent on how these two variables are considered by the citizens. In other word, the Hungarian case seems to confirm that in order to reach and maintain low inequality levels, it
is not sufficient for a country to become democratic, or to increase its
democratic level, it is rather important that its citizens perceive inequa-

lity as a social problem that needs to be solved, and redistribution the
correct way to solve it.

Finally, the Hungarian case allowed us to identify an additional
variable that can influence the relation between a country’s form of gov-
ernment and its levels of income inequality, namely corruption. In the
cases considered, as we have seen, the level of perceived corruption
within a country, in fact, seem to be correlated with the levels of in-
equality, so as that increasing the former variable also the latter would
tend to increase. A first possible explanation for such a relation could
be, quite straightforwardly, that through corruption the richest sections
of the population could be able to prevent the implementation of re-
distributive policies asked by the poorer section. Indeed, in this case
the mechanisms behind the theory, according to which more democ-
racy should bring lower levels of inequality, would be broken by this
intervening variable and the theory itself would prove to be ineffective.

5.4 The Chinese case

Until now, with our case studies, we considered the effect that the
form of government could have on income inequality within democratic
as well as non-democratic states, and the effect that high levels of in-
equality could have on democratic countries. But since we are interested
in the possible reciprocal causal relation between the two variables, in
the following section we will address the effect of high levels of in-
equality on a non-democratic country. To do so, we will examine the
case of China.

As I reported in Chapter 1, according to the literature, the effect that inequality has on the state form of government should be twofold, the effect on the genesis, and the effect on the stability. The former could obviously affect only non-democratic regimes, while the latter could affect non-democratic as well as democratic regimes. About the genesis effect, since in order to develop itself democracy needs a strong middle class, non-democratic countries with high levels of income inequality should not be able to successfully carry out a democratic transition. Within a non-democratic country, if the political and economic power is too concentrated in the hand of a small section of the population, this small section could easily prevent the beginning of a democratic transition. About the stability effect, within a democratic country, extreme forms of inequality could generate resentment and frustration in the worst-off section of the population, and these sentiments could give rise to violent forms of protest or anti-system parties support, ultimately endangering the stability of the regime, or in the pessimistic scenario giving birth to a non-democratic backlash. As the study of the American case highlighted, however, this mechanism could be unable to work properly under some specific circumstances.

At the same time the stability effect could play a role also within non-democratic regimes. As it could happen within democracies, high levels of inequality could generate frustration among the citizens, exacerbating their sentiment toward the incumbent government. This frustration, in turn, could give place to different forms of protest, non-violent or violent, which could end up with the dismissal of the incum-
bent regime and its replacement with another non-democratic regime or, in the more optimistic outcome, with the beginning of a democratic transition.

However, as it often happens, theory and practise do not always match. I already shown how US and Hungary contradict the classic hypothesis of the effect of democracy on inequality, as well as US contradicts the stability effect of inequality on democratic regimes. In the following sections I will examine the case of China, which results to be a deviant case with respect to the stability effect theory applied to a non-democratic regime.

Politically speaking China represents a rather peculiar case. Despite its millennial history, the country has never experienced any form of democratic government, at least considering the concept of democracy encapsulated in the modern usage of the term. Between 1916 and 1928, China experimented the creation of a constitutional republic (Nathan, 1983) which however has not been considered a democratic transition since it had never even achieved the characteristics of a minimal democracy (Figure 5.23).
However, the establishment of the Republic of China, following the revolution of 1911, represents a very important turning point in the modern history of the country, since it marked the end of the imperial power of the Qing dynasty that ruled for about two thousand years (Young, 1983). Without the pretension of addressing here the complete review of the Chinese modern history, it is worthy to highlight that with the end of the Qing dynasty and the creation of the Republic of China, the country entered a phase of turbulence, instability and political fragmentation (Elleman, 2005; Hutchings, 2003) known as the warlords’ era. When the nationalist Chinese party (the Kuomintang) took the power in the late 1920s, under the leadership of Chiang Kai-shek, it was able to reunify the country, ending fifteen years of civil war. Ended
the warlords’ era and reunified the country, the Kuomintang begun to
direct its attention toward another internal problem, namely the com-
munists that were threatening again the stability of the country. With a
succession of different phases of combat, and of alliance to face interna-
tional threats such as the Japanese occupation, the Kuomintang’s con-
frontation with the Chinese communist rebels lasted about two decades
erupting, in 1941, in a civil war ended in 1949 with the communists’
victory and the creation of the People Republic of China (PRC) (Elle-
man, 2005).

The end of the war, and the change of paradigm due to the Com-
munist Party took over the power, marked a turning point in the Chinese
approach to the problem of inequality. Central in the debate about the
nature of socialism, in the central control and local autonomy, and in
the resource allocation among the regions, inequality, especially its re-
gional manifestation, became an important issue since the establishment
of the PCR (Fan, 1995; Wei, 1997). When the PCR was established,
its leader Mao Zedong, as well as the rest of the Chinese Communist
Party, started to address the problem by implementing a series of poli-
cies aimed to foster the development of the worst-off Chinese regions
and to reduce inequality (Wei, 1999), and thanks to its efforts, under
Mao’s leadership, China succeed in reducing inequality significantly.
The first year in which data on Gini are available for China is 1953,
year in which, according to the data provided by the World Income In-
equality Database, compiled by the United Nations University World
Institute for Development Economics Research (UNU-WIDER, 2017),
the value of the Chinese Gini coefficient was 0.56. At Mao’s death in
1976, however, income inequality was reduced by more than half, with a value of the Gini coefficient of 0.27 (on a scale ranging from 0 to 1, where 0 represent a completely equal distribution while 1 a completely unequal one).

But when, few years after Mao’s death, Deng Xiaoping took the power, the picture of Chinese inequality changed again. Deng Xiaoping represented a shift from Mao’s political and economic visions. During its leadership, Xiaoping implemented many social and economic reforms aimed to modernize and partially open the country to the rest of the world. Its reforms resulted in significant social and economic transformations, the country started to grow steadily, and the general living conditions of Chinese citizens increase. This growth, however, came up with an increase of inequality which continued incessantly until nowadays. As show in Figure 5.24, in fact, from 1978 to 2014 income inequality moved from 0.32 to 0.53, reaching again the levels of inequality of the pre-Mao era.
According to the theory, this constant rise in inequality and the high level reached should have had damaged the stability of the Chinese regime, however, this had not occurred. Why does the theory failed to explain the Chinese case? Are there some mechanisms that impede that theory to work? In the next sections we will try to address these questions in the hope to better understand why the theory do work in some cases while it does not in other cases.

5.4.1 Chinese citizens’ perception on inequality

As I put forward with the study of the American case (Chapter 5.1), one of the possible explanation about the presence of high levels of inequality within a country may be the fact that its citizens on
the one side do not consider inequality as a problem the government should solve and, consequently, on the other side, they do not believe the government should redistribute the wealth among its citizens. As we have seen earlier, this is what it seems to happen in the American context. Of course, in a non-democratic regime, governments are not accountable to the citizenry nor are responding to citizens’ requests as happens in democratic regimes. Still, it is important to address whether citizens consider inequality as a problem or not, since it could explain their reaction to increases, or to high levels, of inequality.

To do so, consistently with the American and Hungarian cases, I will rely on the WVS data, looking at the answers Chinese citizens gave to the question: should income be made more equal or larger income differences are needed as incentives for individual efforts? Figure 5.25 reports the percentages of the answers divided by the different WVS waves.
According to WVS data, following the increases in income inequality (as shown in Figure 5.24), since the years 1999-2004 citizens mean answer to the question “Should income be made more equal or larger income differences are needed as incentives for individual efforts?” has significantly decreased meaning an increase of citizens believing that income should be made more equal. In the years 1999-2014 the mean answer was higher than 6, while in 2010-2014 was slightly higher than 4.

Therefore, since Chinese citizens seem to be aware of the increasing inequality, and at the same time they believe in the need to made
income more equal, we can exclude that the failing of the stability theory in explaining the Chinese case is due to an agreement of Chinese citizens on the importance to have high levels of inequality. Excluded the possibility that citizens’ perception on inequality could be the only reason why the theory failed, we need to look at other possible explanations.

5.4.2 Stability through repression and mass control

The stability theory on the role of inequality on the regime of a state provide that with high levels of inequality, within non-democratic countries, citizens should show frustration that could end up with the spread of protests that should endanger the stability of the incumbent regime, and in the more favourable case with a set-up of a democratic transition. The logic underlying this theory is that income inequality generating frustration toward the operate of the incumbent government could fuel protests and riots aimed to dismantling it. Until now, we pointed out how China succeeded in remaining a stable non-democratic regime despite the rise in inequality started in the seventies, and how this makes it a deviant case with respect to the stability theory. However, this not implies China have not been subjected to demonstrations and protests throughout its history, it rather implies that Chinese governments through the decades have been able to minimize the effects of the protest on the regime’s stability.

Looking at the data on Domestic Conflict Events, provided by the Cross-National Time-Series Data Archive (CNTS)\textsuperscript{16}, we can see how

\textsuperscript{16}see Banks and Wilson, 2017.
with different degrees dissent and protests have been always present in Chinese History (Figure 5.26). But we can see also how the form of protests have changed in the last decades. From the seventies of the twentieth century, acts of guerrilla and general strikes have been absent from the scene, riots have remained quite stable, while anti-government demonstration increased steadily. It is important to highlight that anti-government demonstrations are define by the CNTS as “Any peaceful public gathering of at least 100 people for the primary purpose of displaying or voicing their opposition to government policies or authority”, while riots are defined as "Any violent demonstration or clash of more than 100 citizens involving the use of physical force".

Figure 5.26: Number of protests and social unrest in China from 1920 to 2010, divided by category and decade.

Source: Author’s elaboration on data provided by Banks and Wilson (2017).
Therefore, peaceful as well as violent forms of protest have been present in the modern history of China, however, the stability of the regime has never been seriously at risk. How Chinese governments succeed in achieving this result? To answer this question, it is useful to retrace briefly the way in which Chinese governments have handled the dissent and how it changed in the last decades.

After the protests of Tiananmen Square, ended with the death of an unknown number of demonstrators, in the 1990s, the message coming from the state’s leadership was that it was not allowed to challenge the authority in any form (Steinhardt, 2017). This attitude is well explicated in Xiaoping’s ultra-conservative dictum: "stability overrides everything" (Li, 1995). This was a partial shift from Mao’s perspective on dissent, according to which "contradictions among the people, including protests against official misconduct without regime-challenging demands, were to be treated with clemency, while contradictions with the enemy warranted ruthless repression" (Steinhardt, 2017).

The state’s attitude toward protests and dissent changed again in the 2000s, when Hu Jintao came into power. Jintao, in fact, turned again to the Maoist theory of contradiction, leaving more space to the dissent that was not directed to challenge the regime. This attitude contributed also to the increasing of peaceful form of protests directed toward specific policies or specific social problems as for instance unemployment and inequality (Steinhardt, 2017). This does not mean that government begun to be more prone to accept the dissent tout court, but it implied that it started to demonstrate a quite more relaxed attitude toward those protests which were not intended to question the kernel of the regime.
It either does not mean that Chinese government ceased to use violent forms of repression to shut down those protests considered more troublesome. On the contrary, beside the employment of institutional means of coercion such as police and military, China begun to employ third-party extra-legal violence to evict homeowners and to deal with petitioners and protesters. This kind of violent intervention take the form of what Ong (2015) called "thugs for hire", namely the hiring of "thugs and gangsters to repress citizens and coerce them into complying with its policies".

At the same time, China developed and implemented more subtle strategies to control protests and protesters, such as psychological and relational repression. Beyond more conventional actions carried out by the police, in order to deal with protesters, Chinese governments have been employing economical means to corrupt demonstrators, had empowered state’s housing officials to give rural evictees the right to move to cities, and retrievers have been paid to monitor and intercept petitioners to avoid they travel to Beijing (O’Brien & Deng, 2017).

As we can see by this brief assessing of the Chinese repressive practices, the Chinese government can count on a wide range of means to suppress dissent, and it does not fail to use them whenever it feels that protests could threaten the political stability of the country. In addition, the employment of means such as psychological and relational repression denotes a great capacity of the state to strictly control its citizens at a collective as well as at an individual level. It is not surprising, therefore, that regardless the high level of inequality currently showed by the country, and its increasing occurred in the last decades, and despite
Chinese citizens perceive it such as a problem the state should address and solve, the stability theory on the effect of inequality over the regime failed to apply to the Chinese case.

5.4.3 The Chinese case study conclusions

I embarked on the analysis of the Chinese case to address why the stability theory on the effect of inequality on a non-democratic regime fails to explain it. As we have seen, in fact, despite Chinese inequality gown incessantly since the end of the seventies, reaching rather high levels in 2014, and despite Chinese citizens considers inequality as a problem that the government should address, after the foundation of the PRC the Chinese regime has never faced serious threatens to its core characteristics.

Chinese citizens, indeed, have not always been passive in front of policies and decision undertook by the governments. Many citizens’ acts of dissent, in different forms and manifestations, have accompanied the establishment and consolidation, as well as the more recent history of the PRC, still, especially in the last decades, they have been mostly directed to specific policies and decision rather than toward the core elements of the regime.

This does not mean that there were not, or there are not nowadays, citizens and movements that question not only the Chinese governance but also the very nature of the Chinese regime. Still, as we pointed out in the previous section, the degree of control the state reached over its citizens, the hard and sometimes violent way the governments responded to these threatens, and the variety of means of repression developed
and implemented by the state to prevent and suppress them, make it difficult also for frustrated citizens to organize themselves and to effectively carry out revolutions able to seriously damage, or to overthrow, the regime.

From this analysis we can draw some general conclusions about the stability theory that complete the picture developed with the American and the Hungarian case. If on the one side, to work, the stability theory needs that citizens consider inequality as a problem that should be solved by the government, on the other side, it needs also that citizens have some room for manoeuvre allowing to organize themselves in the attempt to affect the regime stability.

In this sense, as shown by the Chinese case, when the control exercised by the state’s apparatus over the citizens is very high, and the protests directed toward the core characteristics of the regime are violently repressed, in many cases also pre-emptively repressed, citizens frustration does not have the space to be transformed in acts able to threaten the regime’s stability.

Since in the literature there is a great amount of agreement about the role of the elite in shaping the political conformation of a country, we have not considered this important variable in the Chinese case study, assuming that the great stability of the Chinese regime and its longstanding duration was also due to the fact that there is a certain amount of agreement among the elites in maintaining the status quo. However, to conclude, it is important to stress that to work the stability theory probably needs that the frustration of the citizens is in some way supported at least by a part of the elites, moreover if they face high level
of control and repression as in the Chinese case.

5.5 Case studies conclusion

Analyzing the theoretical and the empirical literature about the relation between the regime of a state and its levels of inequality, it emerged the exigence of elaborating a more complex theoretical framework to address the relation. This occurred because all the different theories proposed and tested appeared to be significantly valid in some studies, while have claimed to be invalid in other studies. This of course could have been due to the methodological differences among the empirical studies, as the size and selection of the sample, the econometric approach employed, or the data on which the studies relied. However, these differences could be also imputed to the fact that all the theories elaborated and tested have considered only a limited part of the relation investigated, and doing so they could have lacked to consider important variables and mechanisms influencing the relation.

The choice of performing the case studies analysis have been therefore motivated by this second possibility. Given our speculation about the functioning of the relation between the regime of a state and its levels of inequality, the study of some specific cases that seem to deviate from the theory have been extremely useful in identifying the sub-mechanisms which may interfere with the principal mechanisms theorized for explaining the relation investigated.

The American case highlighted the wrongness of given for granted that worst-off citizens will always support and ask for the implementation of redistributive policies. The American case, in fact, showed that
the political philosophy in which a country born and matured has a concrete impact on how the population perceives and reacts on the one hand to the levels of inequality, and on the other hand to the implementation of redistributive policies. This is an important point since it imply that being part of a consolidated democracy does not automatically assure that a government will also be more able and more willing to reduce inequality within its polity. Wording it differently, a democratic government vis-à-vis a non democratic one is certainly more naturally open to the demands of all the sectors of the population, but in order to be willing (and able) to reduce inequality it needs that the population will ask to do so. As a consequence, if inequality is not perceived as a social problem needing to be solved, independently from the regime type of the state, the government will not have any incentives in implementing redistributive policies.

But the American case showed also the presence of another important mechanism able to invalidate the assumption that worst-off citizens will always support and ask for the implementation of redistributive policies: high levels of social mobility. And what is more, it seems that to invalidate that assumption, it is sufficient that the high levels of social mobility are only perceived by the citizens. High levels of social mobility, or the perception of high levels of social mobility, could generate a more relaxed attitude toward inequality and aversion toward redistribution.

Moving to the study of the Hungarian case, it suggested the need to take into the equation the economic organization of a country. The increases in the level of inequality showed by Hungary, as well as many
other ex-Soviet countries, and its coincidence with their democratic transition could be better understood by considering their passage from a communist to a capitalistic type of economy rather than by the abandonment of a non-democratic regime in favour of a democratic one. In other words, the Hungarian case seems to suggest that a capitalistic liberal economy generates higher levels of income inequality regardless of whether it is placed in a democratic or non-democratic context.

The Hungarian also allowed to identify an additional variable that seem to influence the relation between a country’s form of government and its levels of income inequality, namely the country’s level of corruption. The level of perceived corruption within a country, in fact, seem to be correlated with the levels of inequality, so as that increasing the former variable also the latter tends to increase. Through corruption the richest sections of the population could be able to prevent the implementation of redistributive policies even if they are deemed to be essential, and strongly requested, by the worst-off section of the population.

Finally, with the analysis of the Chinese case we drawn some general conclusions about the stability theory that complete the picture developed with the American and the Hungarian cases. If it is true that to work, on the one hand, the stability theory needs that citizens consider inequality as a problem that should be solved by the government, on the other hand, it needs also that citizens have some room for manoeuvre that allow them to organize themselves in the attempt to affect the regime stability. In fact, the Chinese case raised an important consideration, when the control exercised by the state is very high, and the protests directed toward the core characteristics of the regime are
violently repressed, citizens frustration does not have the space to be transformed in acts able to threaten the regime’s stability. Therefore, if citizens have not space to effectively employ the dissent in order to overturn the regime, and if they are not supported in some way at least by a part of the elite, the stability mechanism is unable to deploy its effect.
Exploring the relation between form of government and inequality: elaborating a theoretical framework

In Chapter 3, I analyzed the theoretical and empirical literature on the relation between democracy and inequality. The theoretical literature presented different explanations for the relation in object, pointing out several mechanisms that would be at the basis of the functioning of the relation itself. Also, I showed how it is possible to identify four main theoretical strands that pinpoint to different causal relations between a state form of government and its level of inequality: i) a Linear relation in which the form of government influence inequality in one way or the other; ii) a Linear relation in which Inequality influences the form of government in one way or the other; iii) a Non-linear relation
in which the increasing of the quality of government firstly increases inequality while further increases in the quality of government reduces it, the so called inverted "U"; and iv) No relation between the two variables. Lastly, from the empirical literature review it emerged how there are empirical studies supporting any of the four main theoretical strands, and sometimes denying the correctness of the others. For these reasons, I hypothesized that the casual relation could be reciprocal rather than unidirectional and, at the same time, that there is the concrete possibility that several important variables have not been considered within the theoretical and the empirical analyses. Therefore, I claimed the need to elaborate a more complex theoretical framework to explain all the mechanisms and sub-mechanisms driving it. Indeed, both the theoretical and the empirical literature review have been extremely useful to identify some of the key variables and mechanisms influencing the relation.

From what concerns the influence of the form of government on the levels of inequality, it is assumed to follow two main paths, a direct and an indirect one. The direct mechanism is represented by the redistributive requests of the population. Intuitively, democratic regimes should be structurally more open than non-democratic regimes to the requests made by their citizens. Since democracy is driven by accountability mechanisms, and citizens are able through election to choose those political forces willing to implement their favourite policies, and because the poor segment of the population, which should be the one more prone to ask for redistribution, is usually bigger than the rich segment in terms of votes, one should find democracies to be more equal
than non-democracies. However, even if in a more modest way, also non-democratic governments could be influenced by citizens’ redistributive requests. If nothing else, in those cases in which for whatever reason they find convenient to meet citizens’ requests.

The indirect mechanism, instead, is represented by the national level of education. As highlighted by Burkart (Burkhart, 1997) among others, public education is one of the features, and a product, of democratic systems, which to develop themselves need to create educated citizens who meet the requirements of a State governed by the people. Therefore, to arise, and moreover to survive, democratic regimes need a well-developed bureaucracy, which in turn can be realized only through the growth of educated citizens capable to meet the requirement of the system itself. On the contrary, non-democratic regimes do not have this kind of needs. And the empirical literature on the subject confirms the existence of such a relation showing how, on average, democratic countries on the one side spend more in financing the public educational system and, on the other side, they record higher values of participatory rates at all the levels of education.

At the same time, the literature review pointed out how income inequality could influence the regime state of a country in two different ways. On the one side there is the issue of the genesis, according to which high levels of income inequality, within a non-democratic country, could prevent to pave the way for a democratic transition. On the other side, there is the issue of the stability, according to which independently from the actual state’s structure, democratic or not, high levels of income inequality could endanger the stability of the regime. For
a non-democratic polity this could lead to the implementation of more repressive policies also with the recourse to violence, or the fall of the current regime and the establishment of other non-democratic regimes or, in the more optimistic scenario, could lead to the start of a democratic transition.

The analysis of the theoretical and the empirical literature helped to elaborate some speculations about the relation between the state’s form of government and its levels of inequality. Firstly, I supposed that, taking for granted the correctness of the classic hypotheses, in a static perspective, democratic countries should show, on average, lower levels of inequality than non-democratic countries, while in a dynamic perspective increasing the level (or the quality) of democracy should imply a reduction in the inequality levels.

Secondly, for what concerns the effect of inequality on the form of government, relying on the theory elaborated by Muller (1988), I supposed that the first variable influences the second in two different ways. On the one side, within democratic countries, high levels of inequality can endanger the democratic system. In the more optimistic hypothesis, high levels of inequality could lower the democratic quality within a country since it could reduce the levels of political participation or redirect electoral consensus toward anti-system or antidemocratic parties. While, in the more pessimistic scenario, high level of inequality could give birth to demonstration, protests and riots, pushing the governments to implement restrictive anti-democratic policies to fight them, slipping the country towards non-democratic forms of government. On the other side, within non-democratic countries, high levels of inequal-
ity can prevent the possibility to set in motion a democratic transition, since it usually implies the lack of an organized middle class necessary to run it, but it can also give rise to demonstrations, protests and riots pushing governments and elites to implement more repressive actions or, if citizens succeed in organize themselves, it can lead also to a regime change, possibly ending up with the establishment of a different non-democratic regime, or with the start of a democratic transition.

I called "principal mechanisms" all the causal links mentioned above, since they are the main ways in which the two variables, form of government and inequality, influence each other. However, as emerged with the case study analysis, there are other variables that concur in influencing our main variables, as well as secondary mechanisms that concur in contrasting and influencing the principal ones, therefore, it is necessary to assess them and to include them into the model in order to correctly identify not only how the form of government and the level of inequality interacts, but also the degree of influence each variable have on the other. To elaborate a theoretical model that can be empirically verified, in the next sections, I will discuss in detail each of the variables and mechanisms influencing the relation.

However, a preliminary look at the data can help to understand the relation between the two variables. Table graphically show the relation between democracy and income inequality. The line represents the prediction of the relation.
6.1 How the form of government can influence inequality

As I already pointed out in the past section, the form of government of a country can influence the country level of inequality by means of two distinct channels, a direct and an indirect one.

For what concerns the indirect channel, namely education, scholars mostly agree about the fact that increasing its coverage and its quality within a country helps to reduce inequalities. Education would provide citizens with the set of skills required by the labour market, which have persistently risen in the last decades (Autor, 2014), and this would facilitate the absorption of the worst-off citizens in the job market. Not
all scholars agree about the short-term effect of education on inequality (Glomm & Ravikumar, 2003), but most of them agree about its long-term effect. In the long-run, in fact, investments on education would reduce inequalities (Gregorio & Lee, 2002; Martins & Pereira, 2004; Autor, 2014). At the same time, as already pointed out, the theory provides that democratic countries have generally better educational system than non-democratic states (Mill, 1862; Burkart, 1997).

The empirical literature seems to confirm both points, and a preliminary look at the data can help to assess these relations. Figures 6.2 and 6.3 show the data on the Gini index plotted, respectively, with the total government expenditure on education as percentage of GDP, and with the net enrolment on secondary education (both provided by the World Bank Database). Both figures seem to confirm the existence of a negative relation between both variables and the Gini index, so as that when the expenditure increases, or when the net enrolment on secondary education increases, income inequality would tend to decrease. Furthermore, also the relation between education and the political system of a state seems to be confirmed. Figures 6.4 and 6.5 show the relation between the level of democracy measured by the PIV index and, respectively, the total government expenditure on education as percentage of GDP, and the net enrolment on secondary education. In both cases, one may see the presence of a positive relation between the democratic index and both the variables considered, therefore, at higher level of democracy seem to correspond higher levels of both government expenditure and net enrolment on secondary education.
Figure 6.2: Relation between the Gini index and the government expenditure on education as percentage of GDP

Source: Author’s elaboration on data provided by Solt (2016) for the Gini index, and on World Bank data for the government expenditure on education.
Figure 6.3: Relation between the Gini index and the net enrolment in secondary education

Source: Author’s elaboration on data provided by Solt (2016) for the Gini index, and on World Bank data for the net enrolment in secondary education.
Figure 6.4: Relation between the Polity IV index of democracy and government expenditure on education as percentage of GDP

Source: Author’s elaboration based on Polity IV data for the PIV democracy index, and on World Bank data for the government expenditure on education as percentage of GDP.
For what concerns the direct channel, namely the redistributive request of the population, the situation is more controversial. The classic theory provides that within a democratic country, where all the citizens have the right to participate to the political life and consequently to influence the implementation of specific policies through their votes, and where the poor section of the population is usually bigger than the rich section, most voters should prefer political forces committed to the implementation of redistributive policies. The reasoning at the basis of the theory is quite straightforward, poor citizens must be interested in the implementation of redistributive policies since they would improve their
individual well-being. At the same time, rich citizens should oppose re-
distributive policies since they will endanger their economic interests.

But, as already pointed out in Chapter 1, this reasoning has two
strong implications. Firstly, it takes for granted that poor citizens al-
ways perceive inequality as a social problem that the government must
address, and the implementation of redistributive policies as the answer
to the problem. Secondly, it takes for granted that rich citizens must
always oppose redistribution. This struggle among two distinct societal
groups, interpreted in different ways, is also the basis of the three ma-
jor theories of democratization: the transition from above, the transition
from below, and the more recent redistributive model of democracy.

Even if not always explicitly, the theories strongly rely on the eco-
nomic assumption which consider the human being to be a rational ac-
tor, and its choices to be mainly driven by rationality. In economics, the
concept of rationality, in its broader sense, can be defined as the action
of identifying and implementing some means to achieve an agent’s par-
ticular ends (Kolodny & Brunero, 2016). According to the neoclassic
theory, agents are consistently logical in their decisions with regards to
their preferences, they are assumed to have complete knowledge about
their preferences, and their decisions are driven mainly by material in-
centives (Sanders, 2016). The neoclassic understanding of rationality
has been long criticized, especially about the assumptions of the agent’s
perfect knowledge of his preferences, and that of logical consistency.
Behavioural economists for instance have proposed a revised version of
rationality in which, without context or reference, an agent often does
not know what he wants, and often he does not neither know what he is
doing. Khaneman (2011) goes even beyond and, in its influential book "Thinking fast and slow", relying on psychological theoretical advancements and experimental findings, claims that human beings employ two distinct typologies of thinking when they face choices. The first is automatic, fast and it is not under direct subject’s control. Phrasing it differently it is mainly irrational and driven by what is commonly called instinct. The second, instead, is slower, deliberate, and is mainly under the subject’s control. In other words, the second type of thinking is a rational thinking driven by more complex and mentally demanding forms of reasoning.

It is not the scope of this work to enter the discussion on rationality, however, it is important to stress that as applied to the relation between the form of government and inequality, it can misguide researchers in the interpretation of the phenomenon. Taking for granted that the poor section of the population must prefer the implementation of redistributive policies, while the rich section must oppose it, means to deny the possibility that citizens’ behaviour may be guided by considerations different from the maximization of their short-term economic profit. Human beings on the contrary, independently from their social class or their economic status, may be guided by other kinds of considerations, such as for instance moral or ethical ones, when deciding how to behave. At the same time, citizen’s choices can also be biased by limited knowledge about the options among which to choose, or by wrong perceptions about the object of their choice. In other words, citizens’ preferences about a certain policy can be based and guided by different kind of short- or long-term considerations and, furthermore,
they can change based on the information as well as the perception that they have about a certain issue. This does not mean that their behaviour about the choice of a policy over another is necessarily irrational, but it means that one cannot takes for granted that choices are guided exclusively by merely economic considerations, and that a certain category of citizens will choose a certain policy only because it is part of that category.

6.1.1 How beliefs and perceptions shape worst-off citizens’ requests for redistribution

To understand if and how a state’s form of government could influence its levels of inequality, and to assess whether democracy is or is not abler than non-democracy to reduce it, it is necessary to comprehend how citizens choose or not choose to ask to their government for the implementation of redistributive policies. The study of the American case, in fact, shown that the only fact of being a democracy does not assure that a country will reach low levels of income inequality, nor that it will show necessarily lower level of inequality than non-democratic countries. In other words, the American case highlighted how even if a country is democratic and poor citizens can influence the implementation of policies through free, fair, and recurrent elections, this does not mean that they will mechanically ask the government to implement redistributive policies. To function correctly, the redistributive mechanism through which the form of government of a state can influences its levels of inequality requires that, at least, the poor segment of the population within that country believe inequality to be a social problem. This
could seem an obvious statement, but most of theories and researchers addressing this subject, treated this aspect as an axiom. However, as emerged by the data on American society, there is not any evidence to think that poor citizens must necessarily perceive inequality as a social problem who needs to be solved. According to the findings of the case study analysis, this could depend on two main factors: citizens’ political beliefs, and citizens’ perceptions on socio-economic mobility.

To better illustrate this point let’s consider two imaginary countries: A and B. The first is a non-democratic country, while the second is governed democratically. For the sake of simplicity, let’s imagine that within both countries poor and rich citizens are homogeneous entities which share among their classes the same attitude toward inequality and redistribution, so as that the attitude may vary between rich and poor, but not among citizens within the same class. In a similar situation, according to the most accredited theories, B should have a more equal distribution of incomes than A. In fact, poor people in principle could not influence the implementation of policies in the non-democratic country A, while they could do it in the democratic country B. However, let’s imagine that for historical reasons, A’s citizens have a socialist orientation and consider inequality as the most serious problem a country should deal with and solve. On the contrary, B’s citizens, for several historical circumstances, have a neoliberal orientation and, believing in the assumption that governments should not interfere in their economic life since markets have the ability to regulate themselves, they are convinced that income inequality is not an issue, that poor people are poor only because their laziness, and that as a matter of fact income
inequality is a good thing because it would spur people to do their best to overcome their poverty.

Continuing to follow the classic theoretical framework in which the relation between the states’ form of government and its levels of income inequality is just a matter of conflict between the poor and the rich sections of the population, and in which it is taken for granted that the former will demand for the implementation of redistributive policies, while the latter will oppose it, one would still expect that country A would present a more unequal income distribution than country B. But in our case, it would be likely that A’s citizens would require for the implementation of redistributive policies while B’s citizens would not. Of course, since A is a non-democratic country, where government is not accountable to its citizens, it is not certain that their demands will be heard and met. At the same time, since B’s citizens would not ask for redistribution there is no reason to expect that government will implement it. Therefore, the difference in the levels of inequality between the two countries would mainly depend on the choices of the A’s government about the opportunity to meet poor citizens’ requests. If A government would find convenient to meet their demands, for instance to avoid the spread of protest and the destabilization of the regime, it would be plausible to find A to be less unequal than B. On the contrary, if A’s government would not find convenient to meet citizens’ demands, its inequality could be higher than that of B, or they could also show similar levels.

The functioning of the classic theory on the relation between the form of government of a country and its levels of inequality requires
that within that country there is a majority of citizens that not only are able to influence the government in the implementation of policies, but also that consider inequality a serious social threat that the government should face and solve. If both these requirements are not satisfied simultaneously, the mechanisms at the basis of the classic theory cannot deploy their effects. However, political thought is not the only variable that could shape citizens’ attitude toward inequality and redistribution. As mentioned earlier, there is at least another variable that deserve to be considered, namely the country’s level of socio-economic mobility, or citizens’ perceptions about it.

Let’s now imagine three fully consolidated democratic countries \((A, B\text{ and } C)\). All the three countries have always had a relatively low level of inequality comparable with the average inequality usually registered within democratic countries, and they are very similar also with respect to other macroeconomic fundamentals, as well as with respect to their level of social mobility. Moreover, citizens’ political believes are analogous, and they share in principle the same concerns toward inequality. However, since inequality is low and social mobility (defined as the individual’s probability to improve one’s socio-economic situation during one’s life) is high, citizens in all the three countries are not interested in the implementation of redistributive policies. If there are high chances that no matter the individual socio-economic starting level, each person could easily advance its social ladder through hard work and personal commitment, social mobility could replace the need for redistribution. At a certain point in time, however, for several reasons, income inequality begins to increase drastically in all the
three countries. Therefore, in principle continuing to follow the classic theory one would expect that poor citizens within the three countries would increase their demands for the implementation of redistributive policies. But with the increase of inequality, another variable begins to change its usual path. Countries A, B and C start to diverge about their level of socio-economic mobility. Country A experiences an increase in socio-economic mobility, while countries B and C experience a dramatic decrease. In addition, while in countries A and B citizens become immediately aware of these changes, the citizens of country C continue to perceive the same level of social mobility, as if this had never diminished.

What consequences in terms of redistributive requests can be expected from these changes? Firstly, it is plausible to expect that country B’s poor citizens would start to increase their redistributive requests. Since inequality increased and the probability to escape from poverty taking advantage of socio-economic mobility mechanisms decreased, citizens will be more prone to ask for redistribution. On the contrary, even if for different reasons, citizens within countries A and C would probably not increase their redistributive requests. On the one side, being aware about both the increase of inequality and socio-economic mobility, country A’s citizens would find that their situation has not substantially changed. In other words, they will find mobility compensating inequality so as that they would probably not change their demands for redistribution. On the other side, also country C’s citizens would probably adopt a similar attitude. Being aware of the increase in the levels of inequality but misperceiving higher levels of mobility than the actual
ones, it is plausible to expect that they would increase their demands for redistribution, but way less than citizens in country $B$.

What emerges from these examples is the importance to consider citizens’ belief and perceptions in the analysis of the relation between a country regime type and its levels of inequality. Both citizens’ political beliefs and their perception about inequality and social mobility levels, in fact, are susceptible to influence the mechanism according to which democratic countries should present structurally lower levels of inequality than non-democratic countries. Being able to change citizens’ preferences and attitudes toward inequality and redistribution these variables can contrast the mechanisms laying out the classic theory, which in some cases, therefore, can fail in explaining the influence that the form of government can have on the country’s levels of income inequality.

6.1.2 How economic power can be converted in political power to contrast redistribution: corruption and lobbying activities

One of the reasons according to which the regime type of a state would influence the state’s level of income inequality is the relation between political and economic inequality. The classic theory according to which democratic countries should show lower levels of inequality than non-democratic countries, in fact, is based on the idea that within democratic polities citizens can express their preferences, and poor citizens will be heard when asking the government for redistribution. On the contrary, within non-democratic polities citizens have no concrete
means to claim the implementation of their preferred policies and therefore they will be at the mercy of the close to the government elites’ preferences. Moreover, since non-democratic systems do not provide any accountability mechanism, economic elites may use whatever means at their disposal to make their particular interests prevail over the will of the majority, without the government having to worry about negative repercussions in terms of legitimacy. These arguments seem to suggest that non-democratic regimes would produce inevitably greater level of inequality, because political inequality would translate into economic inequality.

But the causal link between the two types of inequality seems not to be limited to the former influencing the latter, and this has implications also for democratic systems. As already discussed in Chapter 5.1, analyzing the relation between inequality and democracy in the American context, in 2014 the APSA task force highlighted how the increased concentration of income occurred from the 1970s generated a huge gap in the levels of political participation among rich and poor citizens, which in turn contributed to a further worsening of income inequality, generating a sort of vicious circle (Schlozman, Page, Verba & Fiorina, 2004). According to the APSA task force, in a situation in which rich people are politically active and well organized while poor people are not, the former can better persuade the governments to implement political programs favouring their interests at the expenses of those of the latter. APSA task force’s insights are important because highlight how the link between political and economic inequality is not limited to non-democratic countries. Of course, this is not a total nov-
elty. Scholars and practitioners engaged in the study of lobbying activity, for instance, know very well how economic power can be employed even in democratic contexts, at different level, to make pressure on political agents to favour particular interests.

And this is particularly important for the present analysis since the employment of economic power to favour particular interests can contrast the main mechanism at the basis of the classic theory on the effect of the regime’s type on inequality, namely the implementation of redistributive policies claimed by worst-off citizens. In the previous section (6.1.1), I highlighted the wrongness of taking for granted that poor citizens would ask for redistribution only because they are as such but, at the same time, since economic power can be converted in political power, it is also wrong to take for granted that governments would always follow up majoritarian worst-off citizens’ demands, even in a democratic context.

Indeed, as also emerged by the analysis of the Hungarian case, there are at least two different methods through which economic power can be converted into political power to avoid governments implementing redistributive policies: lobbying activities and corruption. In general terms, as reported by the International Encyclopaedia of Social Science, lobbying is defined as the action through which organized interests communicate their preferences to governmental policy makers to influence policy decisions (Darity, 1968). Corruption, instead, is a phenomenon involving different aspects, so as that it is quite difficult to provide a single and comprehensive definition. However, in general terms, corruption is frequently defined as the misuse of public power for personal
gains, in other words it refers to decisions that politicians or public officials make based on personal rather than public interests (Darity, 1968). This definition of corruption is focused on the role of public agents but, on the other side, the definition could be also focused on the corrupter so as that corruption could be also understood as a mean through which bearers of particular interests seek to favour their private interests through the use of economic incentives toward those who are called to make decisions over public affairs. Adopting the corrupter-based definition, corruption appears to be not so much different from lobbying. In both cases, in fact, a private agent employs economic means in order to favour its private interests. Ortiz-Ospina and Roser (2017), in this respect, define lobbying as a more subtle and sometimes even legal example of corruption.

Through lobbying and corruption economic power can be converted in political power preventing the implementation of redistributive policies demanded by poor citizens. Redistribution in fact implies the need to tax the rich to subsidize the poor, therefore if the cost of lobbying or corruption is lower than the cost generated by the raise of taxes, rich citizens could find convenient recurring to them to preserve their economic interests. Empirical research seems to confirm this association between corruption and inequality. In particular, Jong-Sung and Khagram (2005) show how inequality can increases the level of corruption through material and normative mechanisms, and at the same time corruption can increase the level of inequality generating a sort of vicious circle. The logic underlying this process is that increasing inequality the rich (as a class or as interest groups) have more resources
that can be converted in buying political influence, both legally and il-
legally (Glaeser, Scheinkman & Shleifer, 2003). At the same time in-
creasing inequality will increase redistributive demands by poor citizens
and this will generate greater motivation for the rich to use lobbying and
corruption to lower the fiscal pressure.

All these considerations highlight the need to include forms of
economic to political power conversion in the analysis of the relation
between a state’s form of government and its levels of inequality. Even
taking for granted that poor citizens always demand for redistribution,
if rich citizens can influence the public apparatus to preserve their inter-
ests, also in democratic contexts, there is no guaranty that democratic
governments will actually be more open to worst off citizens’ requests
than non-democratic governments. Phrasing it differently, lobbying and
corruption can contrast the key mechanism underlying the classic the-
ory on the effect of the state’s regime on inequality, and therefore they
need to be included in the analysis.

6.2 How inequality can influence the state’s
form of government

From the literature review it emerged how income inequality can
affect the state form of government through two distinct channels (Muller,
1988). On the one side, within non-democratic countries, high lev-
els of inequality may prevent the formation of a strong and organized
middle class, which in turn may prevent the set in motion of a demo-
cratic transition. On the other side, within non-democratic as well as
within democratic countries, high levels of inequality may destabilize the incumbent regime, since it could generate frustration and resentment among the poorer sections of the population that can lead them to undertake pacific as well as violent forms of protest, which under certain conditions, can lead to a regime change. Within democratic country the outcome could be a shift toward less democratic or non-democratic forms of government, but also a simple change of government. Within non-democratic countries, instead, the outcome could be either a shift to a different form of non-democratic regime, a partial liberalization, or a shift to a democratic regime. The stability effect in this sense can be also understood as an effect that inequality can have on the quality of the regime, defining quality as the set of characteristics distinguishing an ideal democracy (as discussed in Chapter 2.1.3). This definition of quality can be applied to both democratic and non-democratic countries so as that the quality will be greater the more the regime will approach the ideal definition of democracy, while it will be smaller the more it will deviate from that definition.

Since the aim of the present analysis is to address the effect of inequality on both non-democratic and democratic countries, rather than the effect of inequality on the processes of democratization, I will exclude the genesis effect from the empirical analysis, focusing only on the stability effect of inequality on the state’s regime.
6.2.1 The role of control and repression in contrasting the stability effect of inequality on the form of government

The stability effect, similarly to the classic theory on the effect of the state’s regime on inequality, takes for granted that at least poor citizens would consider inequality as a problem that needs to be solved. But to drive citizens to protest as to destabilize the regime, it is necessary that they would be frustrated by inequality, up to the point to persuade them to perform demonstrations and protests despite the risks that this could represent for their personal safety. The American case (Chapter 5.2.1) has highlighted this point by showing how high levels of inequality do not necessarily represent a threat for a democratic regime if citizens do not perceive inequality as an issue the government should deal with. The US, in fact, is one of the most economically unequal democracies since decades without this represented a threat in terms of stability for the democratic norms and institutions.

It is also important to distinguish the role that protests can play in democratic vis-à-vis in non-democratic regimes. Protests, at least pacific ones, are usually allowed within democratic countries. Democracy, in fact, in its minimalist conception is defined by the two dimensions of competition and contestation, and the possibility to dissent with the government’s decisions, and to protest against them, is encapsulated in the latter dimension. On the contrary, within non-democratic countries, protests are not always tolerated. Non-democratic countries, in fact, often recur to several repressive means to end up, or even to prevent, the
spread of protests.

Moreover, it is often assumed that all non-democratic governments employ repression in a similar fashion, however, they differ even substantially with respect to the degree of control and repression they practice over their citizens, as well as with respect to the means employed to carry out these tasks (Davenport, 2007). These differences can play an important role, in some specific cases, in impeding the stability effect to work as expected. The study of the Chinese case has shown that even when inequality is high, and even if citizens perceive it as a problem the government should solve, it cannot be taken for granted that they will be able to organize themselves in such a way as to put in place protests capable of influencing the stability of the regime. If the degree of control and repression exercised by the state is very high, and protests directed toward the kernel of the regime are violently repressed, in many cases also pre-emptively, citizens frustration does not have the space to be transformed in acts able to threaten the regime’s stability.

To better understand this point, let’s imagine two non-democratic countries $A$ and $B$, both of which presenting very high level of income inequality. Within both countries $A$ and $B$ citizens consider inequality a social problem the government should address and solve. Moreover, both countries’ citizens are strongly frustrated by so unequal incomes and by the fact that governments seem to be unwilling to deal with the issue. But the two countries diverge with respect to the level of control and repression toward their citizens. Country $A$’s regime, on the one side, has a massive and efficient control apparatus able to accurately track the activity of dissident citizens so as to act preventively to
avoid the spread of protests and, on the other side, it has a long historical record of violent repression of protests when they occur to take place. Country B’s regime, instead, have a less efficient control apparatus which is not able to enact preventive strategies to avoid the spread of protests. In addition, country B’s regime is usually reluctant to immediately face protests with violent forms of repression. This could be due to several reasons for instance because it fears the implementation of international sanctions, or a more or less direct intervention of international actors (such as foreign states, Non-Governmental Organizations (NGOs), international organizations) in its internal politics. In a similar situation, country A’s citizens would probably find very difficult even to organize themselves in a protest front. On the one hand since the preventive control apparatus would be able to track their activities, government could implement measures such as curfews, preventive imprisonment, forced displacement, and so on. On the other hand, citizens could find that the cost-benefit calculus of protesting is not favourable. If the likelihood of succeeding in overthrow the incumbent regime is too low, while the probability that government will respond to protests with violent means is too high, it is plausible to expect that citizens will not engage themselves in protests at all, or if they will do so it is plausible to foresee that the government will be able to preserve its power through repression. On the contrary, within country B, due to the inefficiency of the control apparatus and the government’s reluctance of employing violent means of repression, citizens would find less difficult to organize themselves and to set protests in motion. The cost-benefit calculus would be more favourable and therefore it is plausible to expect that cit-
izens would exploit the opportunity to try to destabilize the regime. In other words, country $B$’s citizens would enjoy a greater manoeuvring space to destabilize the incumbent government through protest activities.

Control and protests’ repression, however, are not the only factors able to impede the stability effect to work. There is at least another variable that, even way more difficult to empirically measure, can play an important role in fostering or blocking the stability effect. This is the role of the elites. Within both democratic and non-democratic regimes, elites, defined as a small group of actors situated at the atop of key social structures (Darity, 1968), can support citizens’ claims contributing to the destabilization of the incumbent regimes, or at the contrary they can oppose those claims contributing to the regime’s stability preservation. Elites are not a homogeneous and monolithic entity and there are in fact different types of elites, such as political, economic and military, each of which can have and pursue different objectives.

As explained by the transition from above theory, sometimes elites can be the very engine of the democratization processes. Example of regime transition driven by the elites, or however in which the elite have had a decisive role, are the Portuguese and the Spanish transitions to democracy. The Portuguese transition arose as a military coup that almost bloodlessly ended up a fascist regime lasted for almost fifty years. After the coup, most of the population get out on the streets joining the military in pacific demonstrations, however, the Portuguese transition is a perfect example of a transition led by the elite, in this case the military. The Spanish transition diverge from the Portuguese one.
In the Spanish context, despite the presence of popular pacific as well as violent forms of protest, the real engine of the Spanish democratic transition must be traced in the collaboration among competing political elites. Thanks to the collaboration between moderated Francoists and moderated democratic elites, Spain has been able to partially subdue the spread of violence among both side of the political spectrum, as well as to prevent major interference from the army, and ultimately to start and to accomplish a relatively pacific democratic transition after the death of the General Franco. But elites can also overthrow a democratic government to install an undemocratic one, as happened for instance in Argentina when in 1976 the army seized the power and installed the government of Jorge Rafael Videla.

Therefore, the destabilizing effect that protests can or cannot have on the stability (or on the quality) of a regime, democratic or not, would depend also on elites’ decision of supporting or contrasting those protests. Unfortunately, at the moment there is not any successful cross-national attempt of empirically measure the support that different elites grant to the incumbent regime within a country, or the support that they grant to demonstrations and protests. For this reason, even highlighting the importance that such a variable may play in the outcome of a protest in terms of regime stability, I will not include it as a variable in the quantitative analysis. In other words, I will limit to consider it as a matter of fact.
6.3 Neoliberalism and inequality

Until now I have examined the principal relations and mechanisms through which the state’s form of government and its levels of inequality influence one another, and the sub-mechanisms able to alter the functioning of the principal ones. However, there is at least another variable, which even if in some way external to the model, can influence a state’s level of inequality. The variable in question is the degree of national economy’s adherence to the neoliberal credo. To understand how and to what extent the form of government of a state can influence its levels of inequality and vice versa it is important to consider this variable, so as to be able to better isolate and to weight the variance imputable to the former.

The term neoliberalism describes a political and economic doctrine as well as a set of economic policies, which have become widespread in the last quarter of the twentieth century. As most of political and economic doctrines, neoliberalism is defined by different positions the most prominent of which are those elaborated by the Austrian school of economics, associated with the economists Hayek and von Mises, the Chicago school inspired by Milton Friedman’s monetarism doctrine, and the German Ordoliberals school, whose vision contributed to the creation of the German post-war market economy. However, despite the different traditions in which neoliberalism is declined, there are some basic assumptions that are common among most neoliberals: a strong individualism, a skepticism toward centralized state planning, and a belief in the complete efficiency of the markets (Darity, 1968).
According to Vincente Navarro (2007), neoliberalism is the dominant ideology permeating public policies in many developed and developing capitalist countries, as well as international organizations such as the World Bank, The International Monetary Fund, the Word Trade Organization and several United Nations’ agencies.

Emerged in the wake of the Second World War as a response to the barbarities committed by the authoritarian states, and fostered by the conviction that the intervention of governments oppresses personal freedoms (Mirowski & Plehwe, 2015), neoliberalism generally follows three general propositions: i) the individual is the most qualified to communicate his desires and the society should aim to remove the obstacles to this goal; ii) free market is viewed as the most efficient mean for promoting personal autonomy and freedom; iii) the state should intervene as less as possible in the economic sphere, limiting itself to maintain and promote free market and to guarantee individual rights, the most important of which is the right to own property (Springer, 2016).

Applied within national economies, such propositions lead to a reduction in the state’s regulation of economic activities, a de-regularization of labour and financial markets, and a boost of commerce and investments by the elimination of borders and barriers, allowing a great mobility of labour, capital, and goods and services. According to neoliberal authors, the implementation of these practices, which fostered and strengthened the processes of globalization, has generated economic growth worldwide as well as a boost of social progress (Navarro, 2007). Indeed, globalization contributed to a world-level economic growth and perhaps also to an increase in social progress, however, it also con-
tributed to a massive increase in national levels of inequality. The processes of economic globalization guided by the neoliberal credo, in fact, in the absence of an analogous process of political globalization able to globally guide them, have generated unbearable consequences for what are usually called the losers of globalization. Trade and financial liberalization, in fact, have both contributed to the increase of inequality within nations as well as among nations (Rodrik, 2018).

Economic models have shown how the liberalization of trade tends to be generally beneficial for all the economies that take part in it, but they also show how within a given country there always are groups that are advantaged and groups that are disadvantaged by free trade. The Stopler-Samuelson theorem (1941), for instance, provides that within a model with two gods and two production factors, and with inter-sectoral mobility of factors, the owner of the factor used intensively in the importable good’s production will experience a decline in its earnings. Of course, the theorem is derived under necessary conditions that simplify the reality. Other more realistic models elaborated afterwards have to some extent reappraised that conclusions, however, as pointed out by Rodrik (2018), there is an effect in the Stopler-Samuelson theorem that can be considered to be quite general, namely that under competitive conditions if complete specialization is not reached and the imported good continue to be produced domestically there will always be a production factor that will lose following trade liberalization. And this will impact on the distribution of wealth, generating inequality.

Similarly, neoliberals believe that financial globalization guarantee economic benefit for all countries. According to neoliberals, finan-
cial globalization should direct savings to those countries where returns are higher, allowing inter-temporal consumption for the countries, as well as a global diversification of investments. The attitude toward financial liberalization has changed cyclically after the Second World War, but today capital could be moved from a country to another much more easily than it has been possible before along the course of the human history. And if on the one side, it produced the benefit claimed by neoliberals, on the other side it seems to have produced also distributional distortion among, as well as within, countries. Several studies documented such a negative impact of financial liberalization on inequality (Furceri & Loungani, 2018; Jaumotte, Lall & Papageorgiou, 2013).

There are several reasons behind such a negative effect. An immediate reason is that with the expansion of financial markets and instruments and their liberalization, the capitalist dynamic of wealth accumulation and investment are modified, and capital is used increasingly to make profits without pass through material investments (Pianta & Franzini, 2016). A second reason is that financial liberalization, allowing capital to freely move from a country to another, contributes to lower workers’ wages (Rodrik, 1998). If wages are determined by the bargaining between employees and employers, the possibility for the latter to move the production in another country represent a credible threat with which they may force the former to accept lower salaries. A third reason is that becoming internationally mobile, it has become more difficult to tax capital. If capital can be easily displaced from a country to another, governments may lose the ability to tax it. At the
same time taxing salaries remains far easier, and in fact tax on salaries remained quite constant and, in some cases, they have even increased.

Indeed, the negative effects on inequality generated by the application of neoliberal policies could be reduced by the intervention of national governments. Income inequality created by trade and financial liberalization could be compensated by a redistribution of wealth from the winners to the losers of globalization. However, since neoliberalism postulates the limitation of states’ intervention in the economic sphere, more the neoliberal credo is applied within a country more it is likely that governments will not implement redistributive policies aimed to compensate the distortions generated by trade and financial liberalization.

Neoliberalism therefore, through the policies it encompasses at national and global levels, could contribute to shape the national levels of inequality. For this reason, the inclusion of such a variable in the model may help to better estimate, and therefore to better understand, the role of the form of government in affecting inequality within countries.

6.4 Theoretical model conclusion

Following the insights drawn by the analysis of the theoretical literature, and the conclusions derived by the empirical works on the subject, in this chapter I tried to elaborate a theory able to explain the relation between the regime type of a country and its levels of income inequality.

Starting from the assumption that the mixed results shown by the
empirical literature would depend on the one hand on the fact that the two variables could be linked by a reciprocal causal relation, and on the other hand from the lack of inclusion of important independent and intervening variables in the models developed, I directed my attention to the development of a theory able to explain both the effects of the form of government on inequality and the effect of inequality on the form of government.

To do so, I firstly confronted the question “how do the form of government of a state can influence inequality?”. Answering to this question I highlighted that, in accordance with the theoretical literature the form of government of a state influences its levels of inequality through two main channels. The level of education that has been empirically proved to be higher, by an impressive amount of studies, within democratic rather than non-democratic systems, and the redistributive requests made by the population. However, while the empirical findings seem to agree about the relation between the level of education (measured in several different ways) and the form of government, there is much less agreement about the relation between the latter and the redistributive requests. And in fact, several empirical studies rejected the existence of a relation between the form of government of a state and its levels of income inequality.

With respect to this apparent contradiction, I claimed that the principal issue is that the classic theory usually employed to analyze the relation long relied on the assumption according to which poor people within democratic countries would request the implementation of redistributive policies to their government just because they are poor, while
rich citizens would certainly oppose it to safeguard their economic interests. In other words, it has been often taken for granted that the reason why democratic countries should be more equal, rather than non-democratic countries, is that the former systems through elections give voice to the poor, which are bigger in number rather than the rich, and that the poor should obviously choose redistributive policies because their poverty while the rich should oppose it because their wealth.

Even if not always explicitly, the theories strongly rely on the neo-classic economic assumption which consider the human being to be a rational actor, and its choices to be mainly driven by rationality. However, taking for granted that the poorest section of the population must prefer the implementation of redistributive policies, while the richest section must oppose it, means to deny the possibility that citizens’ behaviour may be guided by considerations different from the maximization of their short-term utility, or that citizens’ decision may be biased by a limited or distorted knowledge, or by wrong perceptions about the object of their choice.

At the same time, classic theories also seemed to take for granted that within democratic countries governments will surely implement the policies preferred by the majority of the population. However, as shown in the past sections, there are means of action through which the minority of rich citizens may be able to convince the government of democratic countries to implement policies that favour their particular minoritarian interests at the expense of the interests of the majority.

For all these reasons, the model elaborated here to explain the effect of the form of government on inequality refuses the logic of as-
cribing preconceived decisions about inequality and redistribution to citizens’ class, expecting that their behaviour would be guided by the only belonging to the one of the two categories. And at the same time, it refuses the logic according to which democratic governments always implement the policies demanded by the majority of citizens.

On the contrary, the model elaborated points out how, on the one side citizens’ beliefs and perceptions may shape worst-off citizens’ requests for redistribution within democratic as well as non-democratic countries, and on the other side how economic power may be converted in political power in order to contrast the implementation of redistributive policies also in democratic contexts.

Secondly, I tried to answer the question: how do inequality can influence the form of government of a state? In answering this question, I highlight how the theoretical literature points out two principal channels, one affecting the origin of democracy and the other affecting the regime stability (independently from the form it assumes). On the one side, within non-democratic countries, high levels of inequality may prevent the formation of a strong and organized middle class, which in turn may prevent the set in motion of a democratic transition. On the other side, within non-democratic as well as within democratic countries, high levels of inequality may destabilize the incumbent regime since it could generate frustration and resentment among the poorer sections of the population that can lead them to act pacific as well as violent forms of protest that in turn can lead to a regime change. Within democratic country the outcome could be a shift toward less democratic or non-democratic forms of government. Within non-democratic coun-
tries, instead, the outcome could be both a shift to a different form of non-democratic government, a partial liberalization, or a shift to a democratic one. Moreover, the stability effect in this sense can be also understood as an effect that inequality can have on the quality of the regime, defining quality as the set of characteristics distinguishing an ideal democracy. Since the aim of the present analysis is to address the effect of inequality on both non-democratic and democratic countries, rather than the effect of inequality on the processes of democratization, I excluded the genesis effect from the empirical analysis.

Since the empirical literature also in this case shown mixed results, which may depend on the lack of inclusion of important intervening variables in the models developed, I tried to develop a model explaining how the stability effect may be contrasted by other submechanisms. To do so, I firstly pointed out how the stability effect theory takes for granted that poor citizens always consider inequality as a problem that needs to be solved however, as discussed earlier, beliefs and perceptions may play an important role in shaping citizens attitude toward inequality. Secondly, I pointed out how it is important to distinguish the role that protests can play in democratic vis-à-vis in non-democratic regimes. Protests, at least pacific ones, are usually allowed within democratic countries. On the contrary, within non-democratic countries, protests are not always tolerated, and often they recur to several repressive means to end up, or even to prevent, the spread of protests. Moreover, contrarily to what it is often assumed, not all non-democratic governments employ repression in a similar fashion, they differ even substantially with respect to the degree of control and re-
pression they practice over their citizens, as well as with respect to the means employed to carry out these tasks.

For these reasons, I supposed that even when citizens perceive inequality as a problem it is not obvious that they will be able to organize themselves in such a way as to put in place protests capable of influencing the stability of the regime. If the degree of control and repression exercised by the state is very high, and protests directed toward the kernel of the regime are violently repressed, in many cases also pre-emptively, citizens frustration does not have the space to be transformed in acts able to threaten the regime’s stability. In other words, in the model elaborated here, the stability effect may be contrasted by the level of government protests’ repression, and the means employed to avoid and to face them.

Finally, to understand how and to what extent the form of government of a state can influence its levels of inequality and vice versa, I added another important variable to the model, namely the degree of national economy adherence to the neoliberal credo, so as that to be able to better isolate and to weight the variance imputable to the formers. Neoliberalism generally follows three general propositions: i) the individual is the most qualified to communicate his desires and the society should aim to remove the obstacles to this goal; ii) free market is view as the most efficient mean for promoting personal autonomy and freedom; iii) the state should intervene as less as possible in the economic sphere limiting itself to maintain and promote free market, and to guarantee individual rights, the most important of which is the right to own property (Springer, 2016). And applied within national economies, such proposi-
tions lead to a reduction in the state’s regulation of economic activities, a deregulation of labour and financial markets, and a boost of commerce and investments by the elimination of borders and barriers, allowing a great mobility of labour, capital, and goods and services. According to several economic models, trade and financial liberalization, for different reasons, may contribute to the increase of inequality within nations as well as among nations. Of course, the negative effects on inequality generated by the application of neoliberal policies could be reduced by state’s actions, but since neoliberalism postulates the limitation of states’ intervention in the economic sphere, more the neoliberal credo would be applied within a country more would be likely that governments will not implement redistributive policies aimed to compensate the distortions generated by neoliberal economic policies.

Neoliberalism therefore, through the policies it encompasses at national and global levels, could contribute to shape the national levels of inequality. For this reason, the inclusion of such a variable in the model may help to better estimate, and so to better understand, the role of the form of government in affecting inequality within countries. Figure 6.6 show a summary diagram of the theoretical model developed within the chapter.
Figure 6.6: Summary diagram of the theoretical model

Source: Author’s elaboration.
Empirical test of the theoretical model

7.1 Introducing the quantitative analysis

Following the methodological path described in Chapter 4, after the elaboration of the theoretical model aimed to explain the relation between a state’s form of government and its levels of inequality, in this chapter through several steps I will test the model empirically.

In the following sections:

• I will break down the elaborated theory into testable hypotheses, which will be the focus of, and at the same time will guide the, empirical analysis;

• I will present the variables and the data employed in the econometric analysis, describing and discussing the data and their principal characteristics;

• I will discuss the quantitative analysis implemented to test the
different hypotheses. In particular, I will present and discuss the methodologies and the econometric models employed;

- I will present and discuss the results obtained through the econometric analysis.

7.2 Breaking down the theoretical model into testable hypotheses

In the last section of Chapter 6, I presented the theoretical model explaining the relation between the two principal variables: form of government and inequality. In the present section, I will decompose the theoretical model into hypotheses that may be tested through the employment of econometric analysis.

The first two hypotheses to be tested concern whether and to what extent the form of government of a state influences its levels of inequality, and whether and to what extent the levels of inequality within a state influence its form of government. My hypotheses are: (H1) that levels of inequality influence the form of government, and (H2) vice versa the latter influence the former. In addition to the dichotomy democracy/non-democracy, I will also test whether and to what extent the quality (interpreted as the degree of democracy and non-democracy) of a state’s form of government influences its levels of inequality, and how the levels of inequality influence the quality of a state’s form of government. In this respect my hypotheses provide that (H3) inequality negatively influences the quality of the form of government, and vice versa (H4) the quality of the form of government negatively influences
inequality.

The fifth and sixth hypotheses I aim to test concern the presence of a reciprocal causal relation between the form of government and the levels of income inequality (H5), and the presence of a reciprocal causal relation between the quality of the government and the levels of inequality (H6). Assessing the presence of a reciprocal causal relation between the two variables will allow me to answer to the principal research question from which this work originated.

But beyond the six principal hypotheses and the principal relations mentioned above, I will also test additional relations which are able to influence the principal ones. Firstly, (H7) I suppose that citizens’ attitudes toward inequality and redistribution influence inequality so as that if inequality is not perceived as an issue its levels will be higher. Similarly, (H8) I suppose that citizens’ perceptions about socio-economic mobility influence inequality and that when mobility is perceived to be high inequality tend to increase. Secondly, I suppose (H9) that protests help to improve the quality of government, while (H10) repression conversely reduces it. Secondly, I suppose (H11) that the national level of education influences inequality so as that increasing the number of people enrolled in education reduces the levels of income inequality. Thirdly, I suppose (H12) that corruption positively influences the level of inequality, namely that higher is the level of corruption higher will be the level of inequality. Fourthly, I suppose (H13) that the degree of adherence of a country in terms of economic policies to the principles of economic neoliberalism positively influences the levels of inequality, in other words more a country would tend to
apply the principles of neoliberalism within its economy more its levels of inequality would tend to increase. Lastly, I suppose (H14) that the there is a relation between the position of the country’s’ executive along the political spectrum and the level of inequality, so as that the presence of leftist executives is associated to lower levels of inequality.

7.3 Variables and data

Before presenting the econometric strategy used to analyze the investigated relations, and to test my hypotheses, it is appropriate to present and discuss the data I will employ in the analysis. Let’s start with the variables "form of government" and "income inequality" that are the two principal variables in the current work.

Measure of the regime type

For what concern the measurement of countries’ form of government, for different purposes I will use three different datasets: the UDS, the PIV and the GSoD. As principal reference I will employ the UDS data\(^\text{17}\) which, as already pointed out in Chapter 3, is a measure of democracy produced by Pemstein, Meserve and Melton (2010) that aggregates and harmonizes ten of the most used available democratic indices. The index classifies political regimes based on a continuous scale ranging from -2.2 to 2.2, where -2.2 represents the states that completely lack democracy and 2.2 represents the full achievement of democracy. Comparatively, the UDS index has two main advantages for the purpose of the current analysis, on the one hand it covers a broad sample

\(^{17}\text{Unified Democracy Scores data are available at: http://www.unified-democracy-scores.org/uds.html.}\)
of 199 for the years 1946-2012 and, on the other hand, the employment of a continuous scale allows for a better diversification of the quality of democracy within states as well as between states.

As discussed in Chapter 2.1.3, the PIV index\textsuperscript{18} is a democratic index produced by (Marshall, Jaggers & Gurr, 2017). It classifies countries’ regime along a discrete scale which varies from -10 (total lack of democracy) to +10 (total achievement of democracy), for a very large sample of 194 countries for the years 1800-2017. The vast coverage both in terms of time and space is the very comparative advantage of this index, which will be employed as a control for the robustness of the results obtained with the UDS. In this way it is possible to assess whether the employment of a maximalist oriented versus a Minimalist oriented index of democracy, as seen in Chapter 2.1, returns different results.

The last index employed is the GSoD. The GSoD data\textsuperscript{19}, elaborated by International IDEA, have the aim “to provide systematic and nuanced data that captures trends at the global, regional and national levels related to International IDEA’s comprehensive understanding of democracy” (Skaaning, Jimenez, Noonan & Tufis, 2017). Therefore, rather than creating a single score overarching democracy index per country, the GSoD indices provide measurements of distinct aspects of democracy, which are emphasized by one or more major traditions within democratic thought. The GSoD includes indices and sub-indices

\textsuperscript{18}Polity IV Index of democracy data are available at: http://www.systemicpeace.org/inscrdata.html.

\textsuperscript{19}The Global State of Democracy Indices’ data are available at: https://www.idea.int/gsod-indices/#/indices/world-map-table.
for five attributes of democracy: i) representative government; ii) fundamental rights; iii) checks on government; iv) impartial administration; and v) participatory engagement. Each index classifies each aspect of democracy along a discrete scale which varies from 0 (total lack of the certain characteristic) to 1 (total achievement of the certain characteristic), for a sample of 155 countries for the years 1975-2015. The employment of the GSoD in the present work will allow to assess if and to what extent different democratic characteristics influence the levels of inequality, and if and to what extent inequality differently influences different democratic components.

Measure of the inequality

For what concerns the measurement of countries’ levels of inequality I will use the SWIID data\(^{20}\) on Gini, produce by Solt (2016). The SWIID aim to provide scholars with a dataset of income inequality that maximize comparability for the amplest possible sample in terms of both time and space (Solt, 2009), and in fact it provides observations on Gini for 192 countries covering the years 1960-2017. The SWIID accomplish this task, by using the data collected by the Luxembourg Income Study as the standard, while incorporating data on Gini from the IDD, the SEDLAC, the WIID, the United Nations Economic Commission for Latin America and the Caribbean, national statistical offices around the world, and academic studies. The process of data aggregation is carried out minimizing reliance on problematic assumptions by

\(^{20}\)The Standardized World Income Inequality Database’s data are available at: [https://fsolt.org/swiid/](https://fsolt.org/swiid/).
using as much information as possible from proximate years within the same country (Solt, 2016). The standardization is done by employing various imputation techniques to estimate the ratios of different coefficients and to create comparable data, in particular, using multiple imputation (MI) estimates for filling the missing values in the LIS database (Dorn, 2016). Through these procedures, Solt produced one hundred estimates for any single observation, so as to take into account the uncertainty of the estimations. To generate a single value for any single observation, as suggested by Solt, I calculated the bounds of the 95% uncertainty intervals, the result of which is the Gini data I employ in the quantitative analysis.

Beyond the two principal variables form of government’s quality and income inequality, other important variables in the model are: protest, repression, education, corruption, the degree of adherence of a country to the principles of economic neoliberalism, the government’s positioning along the political spectrum, citizens’ redistributive requests, and the level of socioeconomic mobility.

Measure of protests and repression

For what concerns the data on protest and repression, they are produced by Clark and Regan (2016) in the context of The Mass Mobilization Project (MM)\(^\text{21}\). According to the project website "the MM data are an effort to understand citizen movements against governments, what citizens want when they demonstrate against governments, and how...

\(^{21}\text{The Mass Mobilization Project Data are available at: https://dataverse.harvard.edu/dataverse/MMdata}\)
governments respond to citizens”. The MM data cover 162 countries between 1990 and 2014. The unit of observation is the protest-country-year, where protests are recorded individually within each country and year. The Variable “protest” takes the value of 1 if a protest has occurred in a given country in a given year. Protest is considered to have been occurred if at least 50 people gathering to make demands to the government. MM does not code protests that take place in a country when are directed against policies carried out in a third country, so as that it captures only protests targeted at state policies. The MM provide disaggregated data at single protest events, offering information about the number of participants, the protest group identity, the protester demands, and the state response. Due to the purpose of the present analysis however, since I am interested in having a single observation for a given country and a given year, I carried out a process of data aggregation. In particular, since I would like to test whether protests against inequality may influence the regime of a country, I firstly kept only those observations concerning protester demands on labour wage dispute, price increases or tax policy, land tenure or farm issues, and political processes (that is a general category of demanding “reform” would be captured by political behaviour or processes, as would demands for democratic transitions). Secondly, I have aggregated the data for country/year observation re-coding the variable as a dummy that takes the value of 1 if at least a protest occurred in a given country in a given year, and a value of 0 if in the time-frame considered by the MM data no protests occurred in a given country in a given year. With respect to the variable “repression”, which consider the response of the government to protests, the
MM data provide six categories: accommodation of demands, arrests, beatings, crowd dispersal, ignore the protest, killings, and shootings. Also, in this case, I re-coded the variable creating a scale from 0 to 7 considering the government response from the less to the most violent: Accommodation, ignore the protest, crowd dispersal, beatings, arrests, shootings, and killings. If in a given country and a given year more than one protest occurred, I coded the country/year observation considering the most violent response the government gave in that year.

Measure of education

Data on education hail from the database World Development Indicators, elaborated by the World Bank. As a proxy of the quality of the education system I employ the net enrolment rate on secondary education, defined as the ratio of children of official school age who are enrolled in school to the population of the corresponding official school age. Completing the provision of basic education provided by the primary level, secondary education aims at laying the foundations for lifelong learning and human development by offering more subject-or skill-oriented instructions employing more specialized teachers. The net enrolment rate excludes overage as well as underage students and captures the system’s coverage and internal efficiency. The data on net secondary education cover a sample of 186 countries for the years 1970-2017.

Data on net enrolment rate on secondary education are available at: http://databank.worldbank.org/
Measure of corruption

For the measurement of corruption, I will employ the "control of corruption" indicator created by Kaufmann, Kraay and Mastruzzi (2010) in the context of The World Wide Governance Indicators (WGI) project. The phenomenon of corruption involves many particular cases, and for this reason it is difficult to give a single precise and comprehensive definition. However, in general terms, corruption implies the abuse of entrusted power for private gain. Some non-exhaustive examples include bribery, clientelism, and embezzlement. Other subtler and sometimes even legal examples of corruption include lobbying and patronage (Ortiz-Ospina & Roser, 2017). The control of corruption indicator covers 171 countries over the period 1996–2016. It “captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests”. Therefore, this indicator in some sense is able to grasp both the level of perceived corruption as well as the perceived level of illegal or improper use of lobbying activities. The index adopts a scale ranging from -2.5 to +2.5, where -2.5 is the maximum level of corruption while +2.5 is the minimum level of corruption.

Measure of the adherence to neoliberal economic principles

To measure the degree of adherence of a country to the principles of economic neoliberalism, namely to what extent a country adheres to the logics of free market economy and not inference in citizens’ economic life, I will rely on the data provided by the Index of Economic
The Index of Economic Freedom defines economic freedom as:

"the fundamental right of every human to control his or her own labour and property. In an economic free society, individuals are free to work, produce, consume, and invest in any way they please. In economically free societies, governments allow labour, capital, and goods to move freely, and refrain from coercion or constraint of liberty beyond the extent necessary to protect and maintain liberty itself."

Economic freedom is measured based on 12 quantitative and qualitative factors, grouped into four broad categories of economic freedom: i) Rule of Law (property rights, government integrity, judicial effectiveness); ii) Government Size (government spending, tax burden, fiscal health); iii) Regulatory Efficiency (business freedom, labour freedom, monetary freedom); and iv) Open Markets (trade freedom, investment freedom, financial freedom). Each of the twelve economic freedoms within these categories is graded on a scale of 0 to 100, and the country’s overall score is derived by averaging all the economic freedoms, with equal weight being given to each. The overall score ranges from 0 to 100, where 0 represents a total lack while 100 a total achievement of economic freedom. The index of Economic Freedom covers a sample of 180 countries for the years 1995-2018.

Measure of the government positioning along the political spectrum

Data on the government’s (or regime’s) positioning along the po-
itical spectrum are retrieved from the Database of Political Institution (Scartascini, Cruz & Keefer, 2018) and integrated with the employment of several different sources. The pertaining of the government party (or the non-democratic regime) to the political spectrum is accounted by a dummy variable taking the value of 0 in case of right-wing parties and the value of 1 in case of left-wing parties. The database24 covers 180 countries for the years 1975-2017. Since inequality is a structural variable and the effect of government’s policies have not an immediate effect on it, in the analysis the positioning along the political spectrum will employed as a five-year lagged variable.

**Measure of citizens’ attitudes and perceptions**

The last data employed in the present work concern citizens’ attitudes toward redistribution and perceived social mobility, for both of which some considerations are needed. As discussed in Chapter 6, both variables would influence redistributive requests made by the population which in turn would influence the levels of inequality. The optimum strategy would have been that of directly measure the citizens’ attitude toward redistribution, the actual level of redistributive requests, and the actual level of mobility. However, there is a serious lack of cross-national longitudinal objective data on both redistributive requests and mobility, while data on the citizens’ attitude toward redistribution and data on the perceived level of mobility are available through several cross-national surveys. Due to this data limitation, I will analyze the

24The Database of Political Institution’s data are available at: https://publications.iadb.org/handle/11319/8806.
direct effect of citizens’ attitude toward redistribution and the perceived level of mobility on inequality, still supposing that if some significant effect is found it would be mediated by their effects on redistributive requests. In order to measure citizens’ attitude toward inequality and their perception of social mobility, I will employ data\textsuperscript{25} produced by the WVS. For what concerns citizens’ attitude toward inequality, I will employ the country-level average answers to the question: "Should Incomes be made more equal? Or, are larger income differences needed as incentives for individual effort?". While for what concerns citizen’s social mobility perception, I will employ the country-level average answers to the question: "In the long run, does hard work usually brings a better life? Or doesn’t hard work generally bring success, it’s more a matter of luck and connections?". WVS data cover almost 100 countries, from 1981 to 2014 in 6 waves\textsuperscript{26}. Each wave reports the data collected within several years, however, since the variables employed may be considered as structural variables that change slowly over the years, I will re-code the time of each data as if it would have been collected in the conclusive year of the survey. Both variables are measured along a scale ranging from 1 to 10. With respect to citizens’ attitude toward inequality, 1 represents "income should be made more equal" while 10 represents “larger income differences are needed as incentives for individual effort”. With respect to social mobility perception, instead, 1 represents “in the long run, hard work usually brings a better

\textsuperscript{25}World Value Survey’s longitudinal data are available at: http://www.worldvaluessurvey.org/WVSDocumentationWVL.jsp.

life”, while 10 represents "hard work generally doesn’t bring success, it’s more a matter of luck and connections”.

Measures of countries’ GDP and economy’s specialization

Beyond the variables and data described above, which are part of the elaborated model, in the econometric analysis I will also employ two other variables as control variables, the GDP per capita as an independent variable for the quality of government, and the share of workers employed in the industrial sector as an independent variable for the level of inequality. High levels of GDP per capita, on the one hand, are thought to be a requisite for obtaining high quality governments, and in particular they are associated with high levels of democracy\textsuperscript{27}, even if there are also authors such as Acemoglu et al., (2005) which deny such a relation. However control for the GDP per capita will help obtaining more precise estimations. Data\textsuperscript{28} on GDP per capita at current US dollars are provided by the World Bank national accounts data, and OECD National Accounts data files.

The share of workers employed in the industrial sector is added as a control for the degree of specialization of a national’s economy. An economy highly specialized in one sector, in fact, seems to present higher inequality levels than less specialized economies (Chase-Dunn, 1975). Data\textsuperscript{29} on the the employment in industry as percentage of total employment are available at: http://databank.worldbank.org/data/source/world-development-indicators/preview/on#advancedDownloadOptions.


\textsuperscript{28}Data on GDP per capita are available at: https://data.worldbank.org/indicator/NY.GDP.PCAP.CD.

\textsuperscript{29}Data on the share of workers employed in the industrial sector are available at: http://databank.worldbank.org/data/source/world-development-indicators/preview/on#advancedDownloadOptions.
tal employment is provided by the International Labour Organization Statistics, ILOSTAT Database.

Table 7.1 reports the relevant summary statistics of the variables employed in the empirical analysis.

**Table 7.1: Summary statistics of the variable employed in the empirical analysis**

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>N</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Min</th>
<th>Max</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>PIV</td>
<td>4,547</td>
<td>3.753</td>
<td>6.603</td>
<td>-10</td>
<td>10</td>
<td>Marshal et al. (2017)</td>
</tr>
<tr>
<td>Representative govt.</td>
<td>4,047</td>
<td>0.576</td>
<td>0.240</td>
<td>0</td>
<td>1</td>
<td>Skaaning et al. (2017)</td>
</tr>
<tr>
<td>Fundamental rights</td>
<td>4,030</td>
<td>0.606</td>
<td>0.192</td>
<td>0.051</td>
<td>1</td>
<td>Skaaning et al. (2017)</td>
</tr>
<tr>
<td>Checks on govt.</td>
<td>4,030</td>
<td>0.558</td>
<td>0.197</td>
<td>0.002</td>
<td>1</td>
<td>Skaaning et al. (2017)</td>
</tr>
<tr>
<td>Impartial administration</td>
<td>3976</td>
<td>0.530</td>
<td>0.210</td>
<td>0</td>
<td>1</td>
<td>Skaaning et al. (2017)</td>
</tr>
<tr>
<td>Civil society participation</td>
<td>4,046</td>
<td>0.630</td>
<td>0.178</td>
<td>0.058</td>
<td>1</td>
<td>Skaaning et al. (2017)</td>
</tr>
<tr>
<td>Electoral participation</td>
<td>3,819</td>
<td>0.598</td>
<td>0.233</td>
<td>0</td>
<td>1</td>
<td>Skaaning et al. (2017)</td>
</tr>
<tr>
<td>Direct democracy</td>
<td>4,049</td>
<td>0.136</td>
<td>0.167</td>
<td>0</td>
<td>1</td>
<td>Skaaning et al. (2017)</td>
</tr>
<tr>
<td>Subnational elections</td>
<td>3,502</td>
<td>0.425</td>
<td>0.303</td>
<td>0</td>
<td>1</td>
<td>Skaaning et al. (2017)</td>
</tr>
<tr>
<td>Education</td>
<td>1,706</td>
<td>70.25</td>
<td>24.65</td>
<td>2.720</td>
<td>99.91</td>
<td>UNESCO (2018)</td>
</tr>
<tr>
<td>Corruption</td>
<td>2279</td>
<td>0.019</td>
<td>1.042</td>
<td>-1.722</td>
<td>2.470</td>
<td>Kaufmann et al. (2010)</td>
</tr>
<tr>
<td>Neoliberal index</td>
<td>2,725</td>
<td>60.75</td>
<td>10.45</td>
<td>21.40</td>
<td>90.50</td>
<td>Miller et al. (2018)</td>
</tr>
<tr>
<td>L.5 Leftist govt.</td>
<td>1720</td>
<td>0.514</td>
<td>0.500</td>
<td>0</td>
<td>1</td>
<td>Scartascini et al. (2018)</td>
</tr>
<tr>
<td>Gini index</td>
<td>5,072</td>
<td>0.381</td>
<td>0.086</td>
<td>0.198</td>
<td>0.611</td>
<td>Solt (2016)</td>
</tr>
<tr>
<td>Repression</td>
<td>3,169</td>
<td>2.117</td>
<td>2.065</td>
<td>0</td>
<td>7</td>
<td>Clark and Regan (2016)</td>
</tr>
<tr>
<td>Protests</td>
<td>3,169</td>
<td>0.621</td>
<td>0.485</td>
<td>0</td>
<td>1</td>
<td>Clark and Regan (2016)</td>
</tr>
<tr>
<td>Protests violence</td>
<td>3,169</td>
<td>0.334</td>
<td>0.472</td>
<td>0</td>
<td>1</td>
<td>Clark and Regan (2016)</td>
</tr>
<tr>
<td>Redistributive attitudes</td>
<td>215</td>
<td>5.769</td>
<td>1.064</td>
<td>2.92</td>
<td>8.23</td>
<td>Inglehart et al. (2014)</td>
</tr>
<tr>
<td>Perceived mobility</td>
<td>174</td>
<td>4.175</td>
<td>0.804</td>
<td>1.94</td>
<td>6.5</td>
<td>Inglehart et al. (2014)</td>
</tr>
<tr>
<td>UDS</td>
<td>4,392</td>
<td>0.395</td>
<td>0.890</td>
<td>-1.482</td>
<td>2.263</td>
<td>Pemstein et al. (2010)</td>
</tr>
</tbody>
</table>

Author’s elaboration. “N” represents the number of country/year observations.
7.4 Econometric analysis

In order to test the hypotheses discussed in Chapter 7.2, I will proceed throughout several steps. In this section I will discuss the econometric approaches employed to accomplish the task.

Firstly, as a preliminary analysis, I will estimate four baseline equations using OLS estimators. The first two represent linear regressions aimed to test the effect of inequality on the form of government and on the quality of government. The second two represent a linear and a curvilinear regression aimed to test the effect of the form of government on inequality, and the effect of the quality of government on inequality. To test the second relationship, I choose to employ a quadratic instead of a linear model to assess whether there is the presence of a Kuznets’ curve as hypothesized by part of the literature. The baseline equations for the two type of regression are:

\begin{align*}
    y &= \beta_0 + \beta_1X_1 + \beta_2X_2 + \ldots + \beta_kX_k + \mu \\
    y &= \beta_0 + \beta_1X_1 + \beta_2X_2^2 + \ldots + \beta_kX_k + \mu
\end{align*}

where \( y \) represents the dependent variable, \( \beta_0 \) the constant term, \( X \) represents the independent variables and \( \mu \) represents the error term. Substituting the terms with the variables employed in the analysis, the
four equations become:

\[
UDS_{dummyit} = \beta_0 + \beta_1 Gini_{it} + \beta_2 Protest_{it} + \beta_3 Protestviolence_{it} + \beta_4 \text{Repression}_{it} + \beta_5 GDP_{percapita_{it}} + \mu
\]

(7.3)

\[
UDS_{it} = \beta_0 + \beta_1 Gini_{it} + \beta_2 Protest_{it} + \beta_3 Protestviolence_{it} + \beta_4 \text{Repression}_{it} + \beta_5 GDP_{percapita_{it}} + \mu
\]

(7.4)

\[
Gini_{it} = \beta_0 + \beta_1 UDS_{dummy_{it}} + \beta_2 \text{Education}_{it} + \beta_3 \text{Corruption}_{it} + \beta_4 \text{Neoliberalism}_{it} + \beta_5 \text{IndustryShare}_{it} + \mu
\]

(7.5)

\[
Gini_{it} = \beta_0 + \beta_1 UDS_{it} + \beta_2 UDS^2_{it} + \beta_3 \text{Education}_{it} + \beta_4 \text{Corruption}_{it} + \beta_5 \text{Neoliberalism}_{it} + \beta_6 \text{IndustryShare}_{it} + \mu
\]

(7.6)

For two main reasons, this kind of analysis based on cross-country relationships, does not allow to study causation. Firstly, as hypothesized, one might be in the presence of reverse causality, so as that while the quality of government may influence inequality, at the same time inequality may influence the quality of government. In this case, if some of the explanatory variables in one equation are dependent variables of
the other equation therefore the error terms maybe correlated and estimating separate equations would provide biased results. Secondly, there is the potential for omitted variable bias since we could have factors that may determine both the nature of the political regime and the level of inequality in a country. In presence of omitted variable in fact, the error terms are correlated with endogenous variables and, therefore, the OLS estimations would be biased.

To address the second problem, we control for country-specific factors affecting both inequality and democracy by estimating panel regressions including country fixed effects. Country fixed effects are not the solution for all the problems of omitted variables one may have in the model, however, since I suppose that the major sources of potential bias are country-specific as historical factors influencing both political and economic environment the inclusion of time-invariant fixed effects will remove them and this source of bias. In this case also, I will estimate four different equations. Similarly to what done for the OLS estimations, the first two equations represent linear regressions testing the effect of inequality on the form of government and on the quality of government, while the third and the fourth equations represent a linear and a curvilinear regression aimed to test the effect of the form of government on inequality, and the effect of the quality of government on inequality. Again, the choice to employ a quadratic instead of a linear model to assess the effect of the quality of government on inequality is due to test the presence of a Kuznets’ curve as hypothesized by part of the literature.

As discussed above the fixed effects estimation is useful to re-
move the time-invariant influence of determinants of both democracy and inequality but it does not estimate the possible reciprocal causal effects between inequality and the form of government. An instrumental-variables strategy (IV) with a valid instrument would have been a better approach, however, due to the difficulties in finding valid and proper instruments, I chose to follow a different strategy.

Since our main interest is the potential reciprocal casual relation between democracy and income inequality and in order to find a proper instrument, I choose to specify a simultaneous equations model that includes enough variables to meet the conditions for identification.

The most used estimation technique to address simultaneity is two stages least square (2SLS). However, we should note that most of the properties of 2SLS are based on large-sample results which, in our case, could not be applied. Therefore, we choose to estimate jointly our equations using three stages least square (3SLS) which has been proved to be more efficient when the sample size is not large. This is an IV-GLS estimator obtained in three steps:

1. it obtains the 2SLS estimates of the system of equations by regressing all endogenous variables separately on all the exogenous variables;

2. the errors from the 2SLS regression are used as instruments to estimate the errors of the system of equation and the contemporaneous correlation among the error terms;

3. finally, it uses an IV-GLS model to estimate the structural model by using the contemporaneous variance-covariance matrix of er-
ror terms (Zellner & Theil, 1962).

In this study, two different variables are used to measure democracy: UDS and PIV. As a robustness check, in fact, we repeat the estimation of the simultaneous equations twice once with UDS and secondly with PIV. In addition, to assess the degree to which each form of government’s component affects inequality and vice versa, I will employ the GSoD indices.

Finally, data on the attitude toward inequality and on citizens’ perception about social mobility, retrieved from the WVS dataset, when aggregated at country level result in a very limited number of observations. So as that their inclusion in the estimations would lead to regress a too small number of observations, and since the 3SLS automatically drop all the observation containing missing values this would lead to severely bias results. To test their effects on the overall model, therefore, I choose to use a different statistical strategy, the Structural Equation Model (SEM), which allows to overcome the problems raised by the extremely high number of missing values.

To handle with missing data two main techniques have been developed: Multiple Imputation (MI) and Full Information Maximum Likelihood (FIML). MI is a simulation-based approach in which the missing values are replaced with a set of simulated value, while FIML is a maximum-likelihood function which adjusts the likelihood function so that each case contributes information on the variables that are observed. In dealing with missing values SEMs with FILM have two main advantages over MI. The first is that FILM is easier to be reproduced and moreover performing repeated runs of the same model pro-
duces the same results (Little & Rubin, 2014; Allison, 2001), and the second is that the MI approach involves a high degree of subjectivity since to perform the simulation one needs to choose the type of imputation model, what variables to include and the number of imputations to create. In addition, SEM also allows to test for the simultaneity of the relation between the state’s quality of government and its levels of inequality.

### 7.5 Results of the econometric analysis

The first step to test my hypotheses, as discussed in the past sections, is that of performing four simple OLS regressions to preliminarily assess the presence of a significant relation between the variables state’s form of government and level of inequality, and that of a significant relation between the quality of government and the level of inequality.

Table 7.2 reports the result of the estimates of the relation between the level of inequality and the form government’s type (H1) and between the level of inequality and the quality of government (H3).
Table 7.2: OLS estimates (dependent variable: dummy democratic index and UDS democratic index)

<table>
<thead>
<tr>
<th></th>
<th>UDS dummy (Model 1)</th>
<th>UDS (Model 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gini</td>
<td>2.585***</td>
<td>-1.258***</td>
</tr>
<tr>
<td></td>
<td>(0.598)</td>
<td>(0.145)</td>
</tr>
<tr>
<td>Protest</td>
<td>1.370***</td>
<td>0.308***</td>
</tr>
<tr>
<td></td>
<td>(0.159)</td>
<td>(0.039)</td>
</tr>
<tr>
<td>Protest violence</td>
<td>0.353***</td>
<td>0.099***</td>
</tr>
<tr>
<td></td>
<td>(0.135)</td>
<td>(0.033)</td>
</tr>
<tr>
<td>Repression</td>
<td>-0.224***</td>
<td>-0.060***</td>
</tr>
<tr>
<td></td>
<td>(0.0402)</td>
<td>(0.0103)</td>
</tr>
<tr>
<td>Log GDP per capita</td>
<td>0.710***</td>
<td>0.325***</td>
</tr>
<tr>
<td></td>
<td>(0.0346)</td>
<td>(0.00758)</td>
</tr>
<tr>
<td>Constant</td>
<td>-6.161***</td>
<td>-1.787***</td>
</tr>
<tr>
<td></td>
<td>(0.395)</td>
<td>(0.096)</td>
</tr>
<tr>
<td>Observations</td>
<td>2,746</td>
<td>2,747</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.214</td>
<td>0.492</td>
</tr>
</tbody>
</table>

Author’s elaboration. Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

All the variable included in the OLS models show a high level of significance and, except for the effect of the Gini on the dummy democratic index, all of them do show the expected sign. In fact, while higher inequality seems to be associated with lower levels of democratic quality, when considering the form of government in a binary way it shows exactly the opposite sign so as that higher levels of inequality seems to be associated with democratic rather than non-democratic systems.

On the other side of the relation, Table 7.3 reports the results of the OLS estimates of the effect of the type of government (H2) and of
the quality of government (H4), on the level of inequality.

Table 7.3: Table 18: OLS estimates (dependent variable: Gini index)

<table>
<thead>
<tr>
<th>Gini</th>
<th>(Model 1) OLS</th>
<th>(Model 2) OLS</th>
</tr>
</thead>
<tbody>
<tr>
<td>UDS dummy</td>
<td>0.042***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.013)</td>
<td></td>
</tr>
<tr>
<td>UDS</td>
<td>-0.006</td>
<td>-0.006</td>
</tr>
<tr>
<td></td>
<td>(0.013)</td>
<td>(0.013)</td>
</tr>
<tr>
<td>UDS²</td>
<td>-0.026***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.005)</td>
<td></td>
</tr>
<tr>
<td>Net secondary enrolment</td>
<td>-0.001***</td>
<td>-0.002***</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>Corruption</td>
<td>-0.066***</td>
<td>-0.034***</td>
</tr>
<tr>
<td></td>
<td>(0.005)</td>
<td>(0.006)</td>
</tr>
<tr>
<td>Neoliberal index</td>
<td>0.004***</td>
<td>0.005***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>Workers’ industry share</td>
<td>0.003***</td>
<td>0.003***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>L5. Leftist government</td>
<td>0.009</td>
<td>0.008</td>
</tr>
<tr>
<td></td>
<td>(0.006)</td>
<td>(0.005)</td>
</tr>
<tr>
<td>Constant</td>
<td>0.099***</td>
<td>0.134***</td>
</tr>
<tr>
<td></td>
<td>(0.035)</td>
<td>(0.032)</td>
</tr>
<tr>
<td>Observations</td>
<td>453</td>
<td>453</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.641</td>
<td>0.679</td>
</tr>
</tbody>
</table>

Author’s elaboration. Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

The estimates reported in Table 7.3 do show the expected signs for almost all the variables considered, with the exception of the form of government in the first specification, and the presence of a leftist government in both specifications, which also show no significant results. Concerning the principal relations, while the results of the first specification shows that democratic regimes are associated with higher
levels of inequality than non-democratic ones, a higher government’s quality seems to be associated with lower levels of inequality. However, with respect to the second specification, the estimate of the effect of the quality of government on inequality resulted to be negative but not significant, contrarily to the effect of its square value which in turn resulted to be negative and strongly significant.

Indeed, we could not entirely rely on the presented results since, as pointed out in the previous sections, the OLS estimates’ results could be severely biased. Notwithstanding, they show how the employment of a dichotomous classification of the states’ regime or of a more nuanced classification of the states’ quality of government, and the use of an improper functional specification, may drive the research to rather opposite conclusions.

Secondly, to take advantage of the longitudinal nature of the data, and to control for country-specific factors that may affect both the form of government and inequality, I proceed the analysis by estimating panel regressions including fixed effects. In presence of omitted variables, the error terms are correlated with endogenous variables and, therefore, the OLS estimations would be biased. Country fixed effects do not solve all the endogeneity problems, however, since I suppose that the major sources of potential bias are country-specific, as historical factors influencing both political and economic environments, the inclusion of time-invariant fixed effects will address this source of possible bias.

Table 7.4 reports the estimates of the two panel regressions testing the effects of inequality on the type as well as on the quality of government (H1 and H3). The results are mixed and moreover not significant.
The sign of the Gini coefficient is negative and non-significant for what concerns its effect on the type of government, while it results to be positive and non-significant for what concerns its effect on the quality of government. The other variables included, instead, show the expected sign in both specifications, however, almost all of them also result to be non-significant.

Table 7.4: Panel estimates (dependent variables: dummy democratic index and UDS democratic index)

<table>
<thead>
<tr>
<th></th>
<th>UDS dummy (Model 1)</th>
<th>UDS (Model 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Logit Panel</td>
<td>Panel</td>
</tr>
<tr>
<td>Gini</td>
<td>-6.180</td>
<td>0.027</td>
</tr>
<tr>
<td></td>
<td>(4.130)</td>
<td>(0.246)</td>
</tr>
<tr>
<td>Protest</td>
<td>0.208</td>
<td>0.009</td>
</tr>
<tr>
<td></td>
<td>(0.342)</td>
<td>(0.017)</td>
</tr>
<tr>
<td>Protest violence</td>
<td>0.082</td>
<td>0.014</td>
</tr>
<tr>
<td></td>
<td>(0.262)</td>
<td>(0.013)</td>
</tr>
<tr>
<td>Repression</td>
<td>-0.035</td>
<td>-0.004</td>
</tr>
<tr>
<td></td>
<td>(0.075)</td>
<td>(0.004)</td>
</tr>
<tr>
<td>Log GDP per capita</td>
<td>0.901***</td>
<td>0.140***</td>
</tr>
<tr>
<td></td>
<td>(0.189)</td>
<td>(0.009)</td>
</tr>
<tr>
<td>Constant</td>
<td>0.876</td>
<td>-0.797***</td>
</tr>
<tr>
<td></td>
<td>(2.410)</td>
<td>(0.131)</td>
</tr>
<tr>
<td>Observations</td>
<td>2,746</td>
<td>2,747</td>
</tr>
<tr>
<td>Number of countries</td>
<td>141</td>
<td>141</td>
</tr>
</tbody>
</table>

Author’s elaboration. Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Table 7.5 reports, instead, the estimates of the panel regressions testing the effect of the type and the quality of government on inequality (H2 and H4). In this case, all the coefficients show the expected sign,
except for the share of workers employed in the industrial sector, and except for the industrial sector and for the dummy democratic index all result to be significant. Moreover, the curvilinear regression testing the effect of the quality of democracy on inequality show the presence of an inverted “U” shaped curve, in other words the regression seems to confirm the presence of the so-called Kuznets’ curve.

Table 7.5: Panel estimates (dependent variable: Gini index)

<table>
<thead>
<tr>
<th>Gini</th>
<th>(Model 1) Panel</th>
<th>(Model 2) Panel</th>
</tr>
</thead>
<tbody>
<tr>
<td>UDS dummy</td>
<td>-0.001</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.008)</td>
<td></td>
</tr>
<tr>
<td>UDS</td>
<td>0.023***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.008)</td>
<td></td>
</tr>
<tr>
<td>UDS$^2$</td>
<td>-0.005*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.003)</td>
<td></td>
</tr>
<tr>
<td>Net secondary enrolment</td>
<td>-0.001***</td>
<td>-0.001***</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>Corruption</td>
<td>-0.018***</td>
<td>-0.015***</td>
</tr>
<tr>
<td></td>
<td>(0.003)</td>
<td>(0.004)</td>
</tr>
<tr>
<td>Neoliberal index</td>
<td>0.002***</td>
<td>0.001***</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>industry</td>
<td>-0.001</td>
<td>-0.001</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>L.5 Leftist government</td>
<td>-0.006***</td>
<td>-0.006***</td>
</tr>
<tr>
<td></td>
<td>(0.002)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>Constant</td>
<td>0.355***</td>
<td>0.339***</td>
</tr>
<tr>
<td></td>
<td>(0.020)</td>
<td>(0.018)</td>
</tr>
<tr>
<td>Observations</td>
<td>453</td>
<td>453</td>
</tr>
<tr>
<td>R-squared</td>
<td></td>
<td>0.344</td>
</tr>
<tr>
<td>Number of countries</td>
<td>64</td>
<td>64</td>
</tr>
</tbody>
</table>

Author’s elaboration. Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1
If one would conclude the analysis with the panel regressions, one would conclude that inequality have not any significant effect on the type of government nor on the quality of government, and that while the type of government have not any significant effect on inequality, the quality of government influences inequality generating a Kuznets’ curve according to which when a country become democratic there would be an initial phase in which inequality would tend to increase, but in a second phase further increases in the quality of government would produce a decrease in the levels of inequality. If concluding here the analysis, therefore, H4 should be accepted while H1, H2 and H3 should be refused.

As discussed in the previous section, however, on the one hand the fixed effects estimation accomplishes the task of removing the time-invariant influences but, on the other hand, it does not estimate the possible presence of a reciprocal causal effects between inequality and the form of government. However, if this hypothesis raised in this work is true, the simultaneous causal relation between two dependent variables and many independent ones would generate a contemporaneous correlation between the error terms and the independent variables which in turn would makes OLS inconsistent and doing so would make the results obtained by the cross-section and the panel regressions biased and unreliable. To overcome this issue and to assess the presence of a simultaneous causal relation between the two principal variables, I chose to employ the 3SLS estimation, as presented in the previous section.

Since the 3SLS estimates for the relation between the type of regime and inequality did not show any significance for all the vari-
ables considered, I decided to not report the corresponding table of the results. Therefore, H1, H2, and H5 must be definitely refused. Table 7.6 reports the estimates of the 3SLS regression for the relation between the quality of regime and inequality. The results clearly show the presence of a simultaneous relation between the two variables, in fact, they are simultaneously significant in both equations, allowing to accept H6. For what concerns the first equation, where the quality of regime is the dependent variable, all the coefficients show the expected sign and, except for the variables measuring repression and protests violence, all of them result to be significant. For what concerns the second equation, where inequality is the dependent variable, all the coefficients show the expected sign and, with the only exception of the variable measuring the share of workers employed in the industrial sector, all of them result to be significant.
Table 7.6: Three Stage Least Square estimates

<table>
<thead>
<tr>
<th></th>
<th>(Model 1)</th>
<th>(Model 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3SLS</td>
<td>3SLS</td>
</tr>
<tr>
<td>UDS</td>
<td>0.214***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.065)</td>
<td></td>
</tr>
<tr>
<td>UDS²</td>
<td>-0.064***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.021)</td>
<td></td>
</tr>
<tr>
<td>Net secondary enrolment</td>
<td>-0.002***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td></td>
</tr>
<tr>
<td>Corruption</td>
<td>-0.030***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.008)</td>
<td></td>
</tr>
<tr>
<td>Neoliberal index</td>
<td>0.002***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td></td>
</tr>
<tr>
<td>industry</td>
<td>-0.001</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td></td>
</tr>
<tr>
<td>L5. Leftist government</td>
<td>-0.005**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.002)</td>
<td></td>
</tr>
<tr>
<td>Gini</td>
<td>-1.868***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.209)</td>
<td></td>
</tr>
<tr>
<td>Protest</td>
<td>0.121**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.049)</td>
<td></td>
</tr>
<tr>
<td>Protest violence</td>
<td>-0.034</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.040)</td>
<td></td>
</tr>
<tr>
<td>Repression</td>
<td>-0.003</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.015)</td>
<td></td>
</tr>
<tr>
<td>Log GDP per capita</td>
<td>0.298***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.012)</td>
<td></td>
</tr>
<tr>
<td>Country dummies</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Constant</td>
<td>-0.918***</td>
<td>0.427***</td>
</tr>
<tr>
<td></td>
<td>(0.165)</td>
<td>(0.051)</td>
</tr>
<tr>
<td>Observations</td>
<td>426</td>
<td>426</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.815</td>
<td>0.977</td>
</tr>
</tbody>
</table>

Author’s elaboration. Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

In detail, for what concerns the principal relation investigated, the Gini exhibits a negative effect on the quality of government confirming
H3, according to which higher levels of inequality correspond to lower level of democratic quality. On the other side of the relation, the quality of government shows a significant effect on the levels of inequality. In particular, it seems to follow the pattern of the so-called Kuznets’ curve. In fact, while the coefficient of the UDS index shows a positive sign, the coefficient of the square value of the UDS is negative and both are highly significant. And this allow to accept H4. For what concerns the secondary relations, instead, Protests seem to be a useful tool to increase the quality of government, showing a positive effect on the UDS index. Violent protests and repression do show a negative but non-significant effect on the quality of government. Education, the presence of a leftist government, and the share of workers in the industrial sector show a negative effect on inequality, even if the latter variable show non-significant effect. Lastly, corruption and the degree to which a country’s economic system adhere to the axioms of neoliberal economics show a positive and significant effect on inequality. Therefore, H9, H11, H12, H13, and H14 can be accepted, while H10 must be refused. It worthy to highlight that the differences of the results obtained employing the two different indices, in addition to the results derived from the OLS and the Panel estimates, do confirm that the employment of a dichotomous democratic index, classifying countries among democracies or non-democracies instead of a more nuanced index capable to gauge the quality of democracy, returns completely different results. Not only employing one or the other influences the significance of the results, in some cases it also overturns the signs of the coefficients in counterintuitive and unexpected ways. This could have two different meanings, on
the one side It could simply mean that the mere classification between
democracy and non-democracy fails to categorize those countries that
are at the edge of the two positions, but on the other side instead it could
mean that the form of government does not affect (and is not affected
by) inequality, while the quality of government does. Future research
focused on this very subject should be carried out to clarify this ambi-
guity.

Through several step and econometric techniques, until now, I
have individually and simultaneously estimated the effect of the type
and the quality of government on inequality and the effect of inequality
on the type and the quality of government, as well as how other vari-
ables may influence the two principal ones. In all the cases, however, I
have not tested H7 and H8 leaving out from the analysis two important
variables that are part of my theoretical model, namely the variable ac-
counting for citizens’ attitude toward inequality, and the one describing
citizens’ perception about social mobility. As explained in the previ-
sous section, the reason for choosing to not include them in the previous
analysis is that unfortunately when aggregated at country level, the data
from the WVS result in a very limited number of country/year observa-
tions.

To test their effects on the overall model, as discussed in Chapter
7.4, I choose to use the SEM model, which in conjunction with the
FILM estimate allows to handle the presence of missing values. Table
7.7 reports the results of the SEM analysis.
Table 7.7: SEM with FIML estimates

<table>
<thead>
<tr>
<th>Structural</th>
<th>SEM</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gini &lt;-</strong></td>
<td></td>
</tr>
<tr>
<td>UDS</td>
<td>0.097***</td>
</tr>
<tr>
<td>(0.021)</td>
<td></td>
</tr>
<tr>
<td>UDS²</td>
<td>-0.061***</td>
</tr>
<tr>
<td>(0.008)</td>
<td></td>
</tr>
<tr>
<td>Net secondary enrolment</td>
<td>-0.002***</td>
</tr>
<tr>
<td>(0.001)</td>
<td></td>
</tr>
<tr>
<td>Corruption</td>
<td>-0.021***</td>
</tr>
<tr>
<td>(0.006)</td>
<td></td>
</tr>
<tr>
<td>Neoliberal index</td>
<td>0.001</td>
</tr>
<tr>
<td>(0.000)</td>
<td></td>
</tr>
<tr>
<td>industry</td>
<td>0.003***</td>
</tr>
<tr>
<td>(0.001)</td>
<td></td>
</tr>
<tr>
<td>L5. Leftist government</td>
<td>-0.018**</td>
</tr>
<tr>
<td>(0.008)</td>
<td></td>
</tr>
<tr>
<td>Redistributive requests</td>
<td>0.037**</td>
</tr>
<tr>
<td>(0.017)</td>
<td></td>
</tr>
<tr>
<td>Perceived Mobility</td>
<td>-0.022*</td>
</tr>
<tr>
<td>(0.153)</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>0.433***</td>
</tr>
<tr>
<td>(0.353***</td>
<td></td>
</tr>
<tr>
<td><strong>UDS &lt;-</strong></td>
<td></td>
</tr>
<tr>
<td>Gini</td>
<td>-10.253***</td>
</tr>
<tr>
<td>(0.556)</td>
<td></td>
</tr>
<tr>
<td>Protest</td>
<td>0.505***</td>
</tr>
<tr>
<td>(0.576)</td>
<td></td>
</tr>
<tr>
<td>Protest violence</td>
<td>0.150***</td>
</tr>
<tr>
<td>(0.471)</td>
<td></td>
</tr>
<tr>
<td>Repression</td>
<td>-0.054***</td>
</tr>
<tr>
<td>(0.015)</td>
<td></td>
</tr>
<tr>
<td>Log GDP per capita</td>
<td>0.193***</td>
</tr>
<tr>
<td>(0.014)</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>2.576***</td>
</tr>
<tr>
<td>(0.294)</td>
<td></td>
</tr>
<tr>
<td>Observations</td>
<td>5072</td>
</tr>
<tr>
<td>Log likelihood</td>
<td>-55021.043</td>
</tr>
</tbody>
</table>

Author’s elaboration. Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1
The SEM analysis confirms the principal results of the 3SLS estimation (Table 7.6). The quality of government shows a curvilinear relation with inequality in which the value of the quality of government positively affects while its squared value negatively affects inequality, confirming the presence of the so-called Kuznets curve. And this means that, after a certain level, the quality of government is able to reduce the country’s levels of income inequality. At the same time, increasing inequality decreases the quality of government.

For what concerns the secondary relations, except for the variable measuring the level of adherence to the neo-liberal credo, all the variables are significant and show the expected sign. In particular, either the variable measuring citizens’ attitude toward redistribution and the variable measuring their perception of socio-economic mobility significantly affect income inequality. Citizens belief that larger differences of income are needed in order to foster individual efforts is associated with higher levels of income inequality. At the same time, a perception of a low socio-economic mobility is associated with lower levels of inequality. Therefore, H7 and H8 can be accepted.

Lastly, without any specific hypotheses on this respect, in order to test if different attributes defining the quality of government differently influence inequality and vice versa, I performed eight different 3SLSs regressions employing the GSoD indices\textsuperscript{30}. Table 7.8, 7.9, 7.10, and 7.11 report the results of the eight regressions.

\textsuperscript{30}The GSoD indices employed are: representative government; fundamental rights; checks on government; impartial administration; civil society participation; electoral participation; direct democracy; subnational elections
Table 7.8: Three Stage Least Square estimates

<table>
<thead>
<tr>
<th>Variable</th>
<th>(Model 1)</th>
<th></th>
<th>(Model 2)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rep Gov</td>
<td>Fund Rights</td>
<td>Rep Gov</td>
<td>Fund Rights</td>
</tr>
<tr>
<td>Rep Gov</td>
<td>2.001**</td>
<td></td>
<td>0.093</td>
<td>(0.846)</td>
</tr>
<tr>
<td></td>
<td>(0.846)</td>
<td></td>
<td>(0.517)</td>
<td></td>
</tr>
<tr>
<td>Rep Gov$^2$</td>
<td>-1.857**</td>
<td></td>
<td>-0.088</td>
<td>(0.818)</td>
</tr>
<tr>
<td></td>
<td>(0.818)</td>
<td></td>
<td>(0.356)</td>
<td></td>
</tr>
<tr>
<td>Fund Rights</td>
<td>0.004</td>
<td>-0.011***</td>
<td>0.001**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.013)</td>
<td>(0.003)</td>
<td>(0.001)</td>
<td></td>
</tr>
<tr>
<td>Fund Rights$^2$</td>
<td>-0.003**</td>
<td>-0.001**</td>
<td>0.002***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.002)</td>
<td>(0.000)</td>
<td>(0.001)</td>
<td></td>
</tr>
<tr>
<td>Net Secondary Education</td>
<td>0.001**</td>
<td></td>
<td>0.001**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td></td>
<td>(0.000)</td>
<td></td>
</tr>
<tr>
<td>Corruption</td>
<td>0.004</td>
<td>-0.011***</td>
<td>0.001**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.013)</td>
<td>(0.003)</td>
<td>(0.001)</td>
<td></td>
</tr>
<tr>
<td>Neoliberal Index</td>
<td>0.001**</td>
<td></td>
<td>0.002***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td></td>
<td>(0.000)</td>
<td></td>
</tr>
<tr>
<td>Industry Workers’ Share</td>
<td>-0.009*</td>
<td>-0.006***</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.005)</td>
<td>(0.001)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>L5. Leftist Government</td>
<td>-0.009*</td>
<td>-0.006***</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.005)</td>
<td>(0.001)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gini</td>
<td>0.083</td>
<td>-0.539***</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.056)</td>
<td>(0.052)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Protest</td>
<td>0.026**</td>
<td>-0.007</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.013)</td>
<td>(0.012)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Protest Violence</td>
<td>0.025**</td>
<td>0.022**</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.010)</td>
<td>(0.010)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repression</td>
<td>-0.007*</td>
<td>-0.006</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.004)</td>
<td>(0.004)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Log GDP per Capita</td>
<td>0.066***</td>
<td>0.069***</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.003)</td>
<td>(0.003)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>0.110</td>
<td>0.013</td>
<td>0.318</td>
<td>0.277</td>
</tr>
<tr>
<td></td>
<td>(0.045)</td>
<td>(0.126)</td>
<td>(0.042)</td>
<td>(0.156)</td>
</tr>
<tr>
<td>Observations</td>
<td>523</td>
<td>523</td>
<td>523</td>
<td>523</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.579</td>
<td>0.776</td>
<td>0.775</td>
<td>0.985</td>
</tr>
</tbody>
</table>

Author’s elaboration. Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1
Table 7.9: Three Stage Least Square estimates

<table>
<thead>
<tr>
<th>Variables</th>
<th>(Model 3) Checks Gov</th>
<th>(Model 4) Imp Admin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Checks Gov</td>
<td>0.526</td>
<td>-0.624</td>
</tr>
<tr>
<td></td>
<td>(0.447)</td>
<td>(0.497)</td>
</tr>
<tr>
<td>Checks Gov(^2)</td>
<td>-0.426</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.346)</td>
<td></td>
</tr>
<tr>
<td>Imp Admin</td>
<td></td>
<td>0.402</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.344)</td>
</tr>
<tr>
<td>Imp Admin(^2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Secondary Education</td>
<td>-0.001***</td>
<td>-0.001**</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>Corruption</td>
<td>-0.011***</td>
<td>-0.007</td>
</tr>
<tr>
<td></td>
<td>(0.004)</td>
<td>(0.004)</td>
</tr>
<tr>
<td>Neoliberal Index</td>
<td>0.002***</td>
<td>0.002***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>Industry Workers’ Share</td>
<td>-0.001</td>
<td>-0.001*</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>L5. Leftist Government</td>
<td>-0.007***</td>
<td>-0.007***</td>
</tr>
<tr>
<td></td>
<td>(0.002)</td>
<td>(0.002)</td>
</tr>
<tr>
<td>Gini</td>
<td>-0.320***</td>
<td>-0.441***</td>
</tr>
<tr>
<td></td>
<td>(0.057)</td>
<td>(0.063)</td>
</tr>
<tr>
<td>Protest</td>
<td>-0.020</td>
<td>-0.041***</td>
</tr>
<tr>
<td></td>
<td>(0.013)</td>
<td>(0.014)</td>
</tr>
<tr>
<td>Protest Violence</td>
<td>0.015</td>
<td>0.012</td>
</tr>
<tr>
<td></td>
<td>(0.011)</td>
<td>(0.012)</td>
</tr>
<tr>
<td>Repression</td>
<td>0.001</td>
<td>0.005</td>
</tr>
<tr>
<td></td>
<td>(0.004)</td>
<td>(0.004)</td>
</tr>
<tr>
<td>Log GDP per Capita</td>
<td>0.070***</td>
<td>0.089***</td>
</tr>
<tr>
<td></td>
<td>(0.003)</td>
<td>(0.004)</td>
</tr>
<tr>
<td>Constant</td>
<td>0.186</td>
<td>0.463</td>
</tr>
<tr>
<td></td>
<td>(0.045)</td>
<td>(0.131)</td>
</tr>
<tr>
<td></td>
<td>0.277</td>
<td>(0.156)</td>
</tr>
<tr>
<td></td>
<td>0.023</td>
<td>(0.050)</td>
</tr>
<tr>
<td></td>
<td>0.775</td>
<td>0.985</td>
</tr>
<tr>
<td></td>
<td>0.764</td>
<td>0.985</td>
</tr>
</tbody>
</table>

Author’s elaboration. Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1
Table 7.10: Three Stage Least Square estimates

<table>
<thead>
<tr>
<th>Variables</th>
<th>(Model 5)</th>
<th>(Model 6)</th>
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<tbody>
<tr>
<td></td>
<td>Civ Soc Part</td>
<td>Civ Soc Part</td>
</tr>
<tr>
<td>Civ Soc Part</td>
<td>-3.424***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.677)</td>
<td>(0.494)</td>
</tr>
<tr>
<td>Civ Soc Part²</td>
<td>2.495***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.494)</td>
<td></td>
</tr>
<tr>
<td>Elect Part</td>
<td></td>
<td>1.266**</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.588)</td>
</tr>
<tr>
<td>Elect Part²</td>
<td></td>
<td>-1.084**</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.494)</td>
</tr>
<tr>
<td>Net Secondary Education</td>
<td>-0.001</td>
<td>-0.002***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>Corruption</td>
<td>0.001</td>
<td>0.014</td>
</tr>
<tr>
<td></td>
<td>(0.007)</td>
<td>(0.014)</td>
</tr>
<tr>
<td>Neoliberal Index</td>
<td>0.001***</td>
<td>0.001</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>Industry Workers’ Share</td>
<td>-0.001</td>
<td>0.001</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>L5. Leftist Government</td>
<td>-0.009***</td>
<td>-0.005</td>
</tr>
<tr>
<td></td>
<td>(0.003)</td>
<td>(0.004)</td>
</tr>
<tr>
<td>Gini</td>
<td>-0.099</td>
<td>-0.160</td>
</tr>
<tr>
<td></td>
<td>(0.065)</td>
<td>(0.101)</td>
</tr>
<tr>
<td>Protest</td>
<td>-0.026*</td>
<td>0.007</td>
</tr>
<tr>
<td></td>
<td>(0.015)</td>
<td>(0.023)</td>
</tr>
<tr>
<td>Protest Violence</td>
<td>0.045***</td>
<td>0.030</td>
</tr>
<tr>
<td></td>
<td>(0.012)</td>
<td>(0.019)</td>
</tr>
<tr>
<td>Repression</td>
<td>-0.001</td>
<td>-0.012*</td>
</tr>
<tr>
<td></td>
<td>(0.005)</td>
<td>(0.007)</td>
</tr>
<tr>
<td>Log GDP per Capita</td>
<td>0.053***</td>
<td>0.021***</td>
</tr>
<tr>
<td></td>
<td>(0.004)</td>
<td>(0.006)</td>
</tr>
<tr>
<td>Constant</td>
<td>0.281 1.454 0.536 0.032</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.051) (0.232) (0.081) (0.126)</td>
<td></td>
</tr>
<tr>
<td>Observations</td>
<td>523 523 523 523</td>
<td></td>
</tr>
<tr>
<td>R-squared</td>
<td>0.467 0.956 0.089 0.894</td>
<td></td>
</tr>
</tbody>
</table>

Author’s elaboration. Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1
Table 7.11: Three Stage Least Square estimates

<table>
<thead>
<tr>
<th>Variables</th>
<th>(Model 7) Direct Dem</th>
<th>(Model 8) Subn Elect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Dem</td>
<td>-0.090 (0.173)</td>
<td></td>
</tr>
<tr>
<td>Direct Dem(^2)</td>
<td>0.044 (0.158)</td>
<td></td>
</tr>
<tr>
<td>Subn Elect</td>
<td></td>
<td>-2.505*** (0.788)</td>
</tr>
<tr>
<td>Subn Elect(^2)</td>
<td></td>
<td>1.829*** (0.582)</td>
</tr>
<tr>
<td>Net Secondary Education</td>
<td>-0.001*** (0.000)</td>
<td>2.12e-05 (0.001)</td>
</tr>
<tr>
<td>Corruption</td>
<td>-0.011*** (0.004)</td>
<td>-0.006 (0.011)</td>
</tr>
<tr>
<td>Neoliberal Index</td>
<td>0.002*** (0.000)</td>
<td>0.001 (0.000)</td>
</tr>
<tr>
<td>Industry Workers’ Share</td>
<td>-0.001 (0.000)</td>
<td>0.001 (0.001)</td>
</tr>
<tr>
<td>L5. Leftist Government</td>
<td>-0.004 (0.003)</td>
<td>-0.007* (0.004)</td>
</tr>
<tr>
<td>Gini</td>
<td>-0.374*** (0.135)</td>
<td>-0.023 (0.163)</td>
</tr>
<tr>
<td>Protest</td>
<td>0.0251 (0.031)</td>
<td>0.093*** (0.035)</td>
</tr>
<tr>
<td>Protest Violence</td>
<td>-0.037 (0.025)</td>
<td>0.023 (0.028)</td>
</tr>
<tr>
<td>Repression</td>
<td>-0.004 (0.009)</td>
<td>0.003 (0.011)</td>
</tr>
<tr>
<td>Log GDP per Capita</td>
<td>0.001 (0.008)</td>
<td>0.087*** (0.010)</td>
</tr>
<tr>
<td>Constant</td>
<td>0.309 (0.107)</td>
<td>0.295 (0.022)</td>
</tr>
<tr>
<td></td>
<td>-0.237 (0.133)</td>
<td>0.690 (0.137)</td>
</tr>
<tr>
<td>Observations</td>
<td>523</td>
<td>523</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.039</td>
<td>0.985</td>
</tr>
<tr>
<td></td>
<td>0.285</td>
<td>0.881</td>
</tr>
</tbody>
</table>

Author’s elaboration. Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1
The analysis of the attributes of democracy’s effects on inequality and vice versa highlights some interesting results. The attributes of democracy considered in the regressions are: representative government; fundamental rights; checks on government; impartial administration; civil society participation; electoral participation; direct democracy; subnational elections. Firstly, it shows that while there is a reciprocal causal relation between the composite index of the quality of democracy (UDS) and inequality, there is no any reciprocal causal relation between the different attribute of democratic quality and inequality. This is not surprising, however, but it shows the second interesting result, namely that only some attributes of democratic quality significantly influence inequality and only some attributes are significantly influenced by inequality.

For what concerns the effects of inequality on the attributes of democracy, the results show it negatively and significantly influences fundamental rights, checks on government, impartial administration, and direct democracy. At the same time, inequality has a negative but non-significant effect on representative government, and a positive but non-significant effect on civil society participation, electoral participation, and subnational elections.

On the other side, concerning the effect that the different attributes of democracy have on inequality, the results show that representative government and electoral participation have a positive and significant effect while their squared values a negative one. Fundamental rights and checks on government have a positive but non-significant effect while their squared values a negative one. Impartial administration, direct
democracy and subnational elections have a negative but non-significant effect while their squared values a positive one. Lastly, civil society participation has a negative and significant effect while its squared value has a positive and significant one.

Summing up these last findings, inequality seem to contribute to worsen the quality of fundamental rights, checks on government, impartial administration, and direct democracy, while it seems to have no significant effects on the other attributes. On the other side, the quality of representative government and of electoral participation seem to significantly reduce inequality, but only after a certain level of inequality showing the presence of a Kuznets curve. At the same time, the quality of civil society participation in a first time seem to contribute to significantly reduce inequality but also in this case in a "U" shaped fashion. All the other attributes of democracy on the contrary do not show any significant effect.

7.5.1 Robustness checks

In this section I investigate the robustness of the previous results by repeating the analysis employing a different democratic index, namely the PIV index. Table 7.12, 7.13, and 7.14, respectively report the results of the panel estimates of the effect of inequality on the form and on the quality of government; the panel estimates of the effect of the form and the quality of government on inequality, and the 3SLS estimates. Since as pointed out in the past sections the OLS estimates results to be severely biased, for the sake of concision they are not repeated in this section.
The results reported in Table 7.12 obtained by employing the PIV index as dependent variable confirm those obtained by using the UDS index, showing the absence of any significant effect of the Gini index on both the PIV dummy and the PIV index. Moreover, even in this case, except for the positive effect of the Log GDP per capita on both variables none of the other variables result to be significant.

Table 7.12: Panel estimates (dependent variables: PIV dummy and UDS democratic index)

<table>
<thead>
<tr>
<th>Variables</th>
<th>PIV dummy</th>
<th>PIV</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Model 1) Panel</td>
<td>(Model 2) Panel</td>
</tr>
<tr>
<td>Gini</td>
<td>1.723</td>
<td>-2.200</td>
</tr>
<tr>
<td></td>
<td>(0.486)</td>
<td>(2.271)</td>
</tr>
<tr>
<td>Protest</td>
<td>-0.237</td>
<td>0.0344</td>
</tr>
<tr>
<td></td>
<td>(0.304)</td>
<td>(0.164)</td>
</tr>
<tr>
<td>Protest violence</td>
<td>-0.158</td>
<td>0.020</td>
</tr>
<tr>
<td></td>
<td>(0.221)</td>
<td>(0.130)</td>
</tr>
<tr>
<td>Repression</td>
<td>0.031</td>
<td>0.007</td>
</tr>
<tr>
<td></td>
<td>(0.067)</td>
<td>(0.043)</td>
</tr>
<tr>
<td>Log GDP per capita</td>
<td>1.400***</td>
<td>0.979***</td>
</tr>
<tr>
<td></td>
<td>(0.159)</td>
<td>(0.083)</td>
</tr>
<tr>
<td>Constant</td>
<td>-12.37</td>
<td>-2.948</td>
</tr>
<tr>
<td></td>
<td>(2.180)</td>
<td>(1.208)</td>
</tr>
<tr>
<td>Observations</td>
<td>3,047</td>
<td>3,047</td>
</tr>
<tr>
<td>Number of countries</td>
<td>143</td>
<td>143</td>
</tr>
</tbody>
</table>

Author’s elaboration. Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Even the results reported in table 7.13, obtained by employing PIV dummy and PIV index as independent variables, confirm those obtained by using the UDS dummy and the UDS index. The principal
variables show the expected sign in both specifications, however, the
effect of the form of government is non-significant while the effect of
the quality of government is significant. Moreover, the employment of
the PIV index confirms the presence of a Kuznets curve since the coef-
ficient of the PIV is positive while the coefficient of its squared value is
negative.

Table 7.13: Panel estimates (dependent variable: Gini index)

<table>
<thead>
<tr>
<th></th>
<th>(Model 1) Panel</th>
<th>(Model 2) Panel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gini</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PIV dummy</td>
<td>-0.005</td>
<td>0.008***</td>
</tr>
<tr>
<td></td>
<td>(0.004)</td>
<td>(0.003)</td>
</tr>
<tr>
<td>PIV</td>
<td>0.008***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.003)</td>
<td></td>
</tr>
<tr>
<td>PIV squared</td>
<td>-0.001***</td>
<td>-0.001***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>Net Secondary Education</td>
<td>-0.001***</td>
<td>-0.001***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>Corruption</td>
<td>-0.017***</td>
<td>-0.012***</td>
</tr>
<tr>
<td></td>
<td>(0.003)</td>
<td>(0.003)</td>
</tr>
<tr>
<td>Neoliberal Index</td>
<td>0.002***</td>
<td>0.002***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>Industry Workers’ Share</td>
<td>-0.001</td>
<td>-0.001</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>L5. Leftist Government</td>
<td>-0.006***</td>
<td>-0.006***</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>Constant</td>
<td>0.361</td>
<td>0.361</td>
</tr>
<tr>
<td></td>
<td>(0.019)</td>
<td>(0.019)</td>
</tr>
</tbody>
</table>

Observations 561 561
R-squared 0.392
Number of countries 66 66

Author’s elaboration. Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1
Lastly, Table 7.14 reports the estimates of the 3SLS regression performed by employing the PIV index, which further confirms the previous results obtained by using the UDS index. The regression shows, in fact, the presence of a reciprocal causal relation between the quality of government and inequality, the coefficient of the two variables show the expected sign and are significant.
Table 7.14: Three Stage Least Square estimates

<table>
<thead>
<tr>
<th>Variables</th>
<th>(Model 1)</th>
<th>(Model 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3SLS</td>
<td>3SLS</td>
</tr>
<tr>
<td>PIV</td>
<td>0.082***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.030)</td>
<td></td>
</tr>
<tr>
<td>PIV squared</td>
<td>-0.006***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.002)</td>
<td></td>
</tr>
<tr>
<td>Net Secondary Education</td>
<td>-0.001***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td></td>
</tr>
<tr>
<td>Corruption</td>
<td>-0.011*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.006)</td>
<td></td>
</tr>
<tr>
<td>Neoliberal Index</td>
<td>0.002***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td></td>
</tr>
<tr>
<td>Industry Workers’ Share</td>
<td>0.002***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td></td>
</tr>
<tr>
<td>L5. Leftist Government</td>
<td>-0.008***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.003)</td>
<td></td>
</tr>
<tr>
<td>Gini</td>
<td>-0.656*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(1.170)</td>
<td></td>
</tr>
<tr>
<td>Protest</td>
<td>0.410</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.267)</td>
<td></td>
</tr>
<tr>
<td>Protest violence</td>
<td>0.131</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.216)</td>
<td></td>
</tr>
<tr>
<td>Repression</td>
<td>-0.070</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.082)</td>
<td></td>
</tr>
<tr>
<td>Log GDP per capita</td>
<td>1.075***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.066)</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>-1.247</td>
<td>0.675</td>
</tr>
<tr>
<td></td>
<td>(0.929)</td>
<td>(0.148)</td>
</tr>
<tr>
<td>Observations</td>
<td>528</td>
<td>528</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.487</td>
<td>0.950</td>
</tr>
</tbody>
</table>

Author’s elaboration. Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1
Conclusions

The relation between the state’s form of government and its levels of income inequality is puzzling scholars at least since the 1970s, becoming part of the research strand on the determinants of democratic processes. These processes have been long studied in both political science and economic literature, and several theories have been proposed to disentangle, and to explain, the role played by the different actors and variables, as well as under which conditions they are more likely to occur.

When this research strand begun, non-democratic countries outnumbered democratic countries to a consistent extent, and the aim of at least a part of the scholars involved in this kind of research was also to show the advantages of democratic vis-à-vis non-democratic regimes, in the hope that this would have helped spreading and fostering democratic practices and institutions all over the world, and from the beginning it was assumed that one of the advantages of democracy was the reduction of income inequality. But when the third wave of democratization
occurred, and ex-Soviet countries transitioned from non-democratic to
democratic systems they showed a completely different pattern in which
their levels of inequality sharply increased. This obliged scholars to re-
consider the relation and to develop other theories to try to understand
it.

Since the 1970s, several theories have been proposed to describe
and explain the relation between the two variables. As discussed in
Chapter 3.1, some authors claimed that the form of government influ-
ences inequality one way or the other, others that it is inequality influ-
encing in some way the form of government, and other authors claimed
that there is not any significant relation. And as shown in Chapter 3.2,
many scholars engaged themselves in empirical studies aimed to test
these theoretical frameworks, however, as the theories diverged about
the functioning of the relation, the empirical researches have shown
mixed and sometimes contrasting results, and after almost forty years
of studies on this topic, there is still no agreement on how the relation
between the state’s form of government and inequality would shape nor
how the causal mechanisms would work.

The present work, started discussing some of the possible sources
of these contradictions showing how the discordance of results may
have depended on several conceptual and methodological factors. From
the methodological perspective, The process of operationalization and
the choice of the indicators needed to proceed from the theoretical to
the empirical realm, the choice of employing a set of data instead of
another, or an equation model over another, even if usually guided by
the literature, require abundant doses of subjectivity that can lead to
divergent results when the empirical analyses are carried out.

But even before the methodological aspects, at least two theoretical problems emerged from the study of the theories on the relation between the state’s form of government and inequality.

The first theoretical issue concerns on the one side the nature of democracy and its relationship with liberalism and, on the other side, the distinction between economic and political liberalism. With respect to democracy and liberalism, the two concepts have often been conflated and confused, and this confusion is particularly evident looking at the attempts to quantitatively measure democracy that, in fact, employ a definition of democracy based on a liberal understanding, as if liberal democracy would be the only possible form of democracy, and at the same time as if liberalism would be a monolithic philosophical doctrine. Liberals however, as has been discussed in Chapter 1, developed several distinct and sometimes competing understandings of the concept of liberty, a concept at the very basis of the liberal doctrine, which have different consequences that can affect inequality when translated into political and economic practices. Particularly, economic liberalism, often employing a negative understanding of liberty taught as the mere absence of external obstacles that prevent an individual action, supports the idea according to which "The Market" is able by itself to allocate the resources of a country in the best possible way. And when translated into practice, this means that governments should not impose taxes beyond what it is needed to regularly run the governmental apparatus.

With respect to the second theoretical issue, namely the influence
of the concept of rationality on the study of the relation between democracy and inequality, the theories seem to take for granted that citizens perform their choices in an economically rational way. On the one side, it is taken for granted that poor citizens always perceive inequality as a social problem that the government must address, and the implementation of redistributive policies as the answer to that problem. On the other side, it is taken for granted that rich citizens must always oppose redistribution. Even if not explicitly, indeed, the theories evidently rely on the economic assumption which consider the human being to be a rational actor, and its choices to be mainly driven by economic rationality. However, such attitudes can depend on other factors such as citizens’ philosophical, ethical, and political belief, and the maximization of economic utility based on his own class may not be the only way a person decide to favour or oppose redistribution.

The literature review also highlighted that most of the theories trying to explain the relation between the state’s form of government and inequality was integrated into the research stream of democratization theory, and at the same time it highlighted the lack of a theoretical framework capable to explain the intricacy of the interactions between the two variables. The theories elaborated so far, in fact, resulted to be fragmented each of which considering relatively small parts of the phenomenon and leaving aside important others.

For all these reasons, I proceeded the investigation by examining some specific countries in which the theories on the relation between the form of government and inequality seemed to not work. The aim of this case study analysis, focusing on cases deviating from the theories,
was to try to assess the possible presence of important omitted variable, and to verify the presence of secondary mechanisms interfering with the principal ones. Specifically, I presented three deviant cases: the case of US, which even being considered one of the most democratic countries in the world, on the one hand, it showed relatively high levels of inequality compared to other democratic as well as some non-democratic countries and, on the other hand, where in spite of the high levels of inequality the stability of the democratic regime has been never threatened; the Hungarian case, where despite the presence of a non-democratic regime the country registered relatively low levels of inequality compared to other non-democratic as well as democratic regimes; and the Chinese case, a non-democratic country in which despite the level of inequality has dramatically increased since the end of the 1970s, the stability of the regime has never been seriously in danger. The analysis of the three cases has shown how the relation between the state form of government and its levels of inequality is far more complex than how it is usually described.

The American case (Chapter 5.2) shown how citizens’ attitudes toward inequality and redistribution are important to explain both the level of inequality and how they react to high levels of inequality, and on the other side, contradicting the dogma of economic rationality, that these attitudes are not influenced by the merely belonging to a specific social class. In particular the analysis pointed out how the relatively high levels of inequality, in spite of being a fully democratic country, can be explained by the fact that many American citizens consider inequality a characteristic able to foster individual efforts, and therefore
a positive characteristic, and on the other hand that they don’t believe that taxing the rich to subsidize the poor is a fundamental aspect of democracy. This set of belief can also explain why despite being relatively highly unequal American democratic system has been never questioned or threaten. The analysis of the American case also pointed out two variables that can explain the origin of that kind of attitude: i) the politico-economic liberal ideology; and ii) the perceived levels of social mobility. Liberalism, even if in different manners, postulates that some degree and some forms of inequality are necessary and morally acceptable. This idea permeates the American society since its foundation so as that nowadays even many poor citizens believe that government should not redistribute wealth. At the same time, American citizens, raised with the national ethos of the "American dream", still perceived the presence of high levels of social mobility even if they dramatically decreased in the last decades. The perception of high level of social mobility, however, can generate a more relaxed attitude toward inequality, and aversion toward redistribution. At the same time, obviously, it can reinforce such attitude where pre-existing, as in US, for a philosophical tradition.

The Hungarian case (Chapter 5.3) suggested the need to take into the equation the economic organization of a country. The increases in the level of inequality showed by Hungary, as well as many other ex-Soviet countries, and its coincidence with their democratic transition could be better understood by considering their passage from a communist to a capitalistic type of economy rather than by the abandonment of a non-democratic regime in favour of a democratic one. In addition, the
analysis of the Hungarian case allowed to identify an additional variable that can influence the relation between a country’s form of government and its levels of income inequality: the country’s level of corruption. Through corruption the richest sections of the population could be able to prevent the implementation of redistributive policies even if they are deemed to be essential, and strongly requested, by the worst-off section of the population.

The Chinese case (Chapter 5.4), finally, raised some further insights about the stability theory. To work, on the one hand, the stability theory needs that citizens consider inequality as a problem that should be solved by the government, but on the other hand it needs also that citizens have some room for manoeuvre that allow them to organize themselves in the attempt to affect the regime stability. In fact, the Chinese case shown that when the control exercised by the state is very high, and the protests directed toward the core characteristics of the regime are violently repressed, citizens frustration does not have the space to be transformed in acts able to threaten the regime’s stability. Therefore, if citizens have not space to effectively employ the dissent in order to overturn the regime, and if they are not supported in some way at least by a part of the elite, the stability mechanism is unable to deploy its effect.

The analysis of the theoretical and empirical literature, and the study of the three deviant cases, allowed to develop a more comprehensive theoretical model aimed to explain the relation between the state’s form of government and inequality. According to this model, first and foremost, inequality and the form of government reciprocally influence
each other.

Following the classic theories, the form and the quality of government influences inequality through three channels: the levels of redistribution, the levels of education, and the ideology on which it is based. Democracies are expected to be more egalitarian than non-democracy since in principle, on the one side, they give political voice to the poor section of the citizenry, and on the other side because democratic countries provide better education systems. Beyond that, however, also the ideology guiding governments should be considered into the equation. Governments inspired by leftist ideologies are expected to increase taxes on the rich and redistribution to the poor, on the contrary governments inspired by rightist ideologies are expected to do the opposite. Therefore, leftist government are expected to be associated with lower levels of inequality than rightist ones.

At the same time, income inequality influences the form and the quality of a country in two different ways. On the one side high levels of income inequality, within a non-democratic country, could prevent to pave the way for a democratic transition. On the other side, there is the issue of the stability, according to which independently from the actual state’s structure, democratic or not, high levels of income inequality could endanger the stability of the regime.

Beyond these relations, which I called principal mechanisms, there are secondary mechanisms able to interfere with the principal ones. Firstly, even if a country is democratic, and poor citizens can influence the implementation of policies through free, fair, and recurrent elections, this does not mean that they will mechanically ask the gov-
ernment to implement redistributive policies. To function correctly, the redistributive mechanism through which the form of government of a state can influence its levels of inequality requires that, at least, the poor segment of the population within that country believe inequality to be a social problem. Moreover, citizens’ beliefs about inequality do not necessarily depend on their social class, but they can depend also at least on two other factors: citizens’ political beliefs, and citizens’ perceptions on socio-economic mobility. Consequently, if income inequality is not perceived as an issue and (or) social mobility is perceived to be high, redistributive requests may be absent, and in this case, there is no reason to think that democracy will be more egalitarian than non-democracies. At the same time, attitudes toward inequality and redistribution can also interfere with the effect of inequality on the system’s stability. If citizens do not consider inequality as an issue there is no reason to believe that high levels of inequality would trigger protests and riots and therefore would harm the regime’s stability.

Secondly there are at least two other factors that can influence inequality and that are not depended on the form (or the quality) of government: the level of corruption and the national adherence to economic neoliberalism. Corruption can influence inequality by contrasting citizens’ redistributive requests. The rich citizens may decide to convert their economic power into political power to avoid the implementation of redistributive policies that would threaten their wealth. The same result, however, can be reached with lobbying activities which are legal and regulated in some democratic countries. Economic liberalism, instead, through the economic policies it encompasses at national and
global levels creates imbalances in the distribution of income, and with the political principles it advocates concerning the limitation of states’ intervention in the economic sphere could contribute to shape the national levels of inequality independently from its form of government.

Lastly, even if citizens perceive inequality as a social problem it is not obvious that they will be able to organize themselves in such a way as to put in place protests capable of influencing the stability of the regime, especially within non-democratic countries with a powerful authoritarian infrastructure. If the degree of control and repression exercised by the state is very high, and protests directed toward the kernel of the regime are violently repressed, in many cases also pre-emptively, citizens frustration does not have the space to be transformed in acts able to threaten the regime’s stability.

In order to empirically test the theoretical model, I break down it into testable hypotheses: (H1) the form of government of a state influences its levels of inequality; (H2) the levels of inequality within a state influence its form of government; (H3) the levels of inequality negatively influence the quality of government; (H4) the quality of government negatively influences its levels of inequality; (H5) there is a reciprocal causal relation between the form of government and the levels of income inequality; (H6) there is a reciprocal causal relation between the quality of the form of government and the levels of inequality; (H7) citizens’ attitudes toward inequality and redistribution influence inequality itself, so as that if inequality is not perceived as a problem it tends to increase; (H8) citizens’ perception about socio-economic mobility influence inequality, so as that if mobility is perceived to be high
inequality tends to increase; (H9) protests help to improve the quality of government; (H10) repression conversely reduces it; (H11) the national level of education influences inequality so as that increasing the number of people enrolled in education reduces the levels of income inequality; (H12) corruption positively influences the level of inequality, namely that higher is the level of corruption higher will be the level of inequality; (H13) the degree of adherence of a country to the principles of economic neoliberalism positively influences the levels of inequality; and (H14) the there is a relation between the position of the country’s’ executive along the political spectrum and the level of inequality, so as that the presence of leftist executives is associated to lower levels of inequality. To test these hypotheses, several econometric models with different specifications have been employed.

The estimates performed revealed some interesting results. First and foremost, they confirmed that the employment of a dichotomous democratic index, classifying countries among democracies or non-democracies, or of a more nuanced index capable to gauge the quality of democracy, completely changes the results. Not only employing one or the other influenced the significance of the results, in some cases it also overturned the signs of the coefficients in counterintuitive and unexpected ways. This could have two different meanings, on the one side It could simply mean that the mere classification between democracy and non-democracy fails to categorize those countries that are at the edge of the two positions, but on the other side instead it could mean that the form of government does not affect (and is not affected by) inequality, while the quality of government does. Future research focused on this very
subject should be carried out to clarify this ambiguity.

Secondly, as expected and not surprisingly, the results showed how employing different econometric models drove to different conclusions about most of the aforementioned hypotheses. The OLS, the Panel, and 3SLS estimations, in fact, diverged either in terms of coefficients’ sign and levels of significance for both the principal and the secondary hypotheses. In particular, the panel estimates, which considering the longitudinal nature of the data employed, and controlling for country-specific factors are more efficient than OLS and therefore more reliable, shown no significant relationship between the form of government and inequality, while it shown a significant result for the effect of the quality of government over inequality but not for the effect of inequality over the quality of government. However, since one of the principal hypotheses driving this work was that there could be a reciprocal causal relation between the two principal variables, as discussed in Chapter 7.4, both the OLS and the Panel estimates was expected to be biased. Their results, therefore, cannot be employed to derive definitive conclusions.

The 3SLS estimates, on the contrary, allowing to consider the possibility of a reciprocal causal relation, delivered more robust results. Firstly, they shown that there is no significant relation between the form of government and inequality, forcing me to refuse H1, H2 and H5. Secondly, the estimates confirm H3, namely that the quality of government significantly reduces inequality, but following the pattern of a political Kuznets curve; and H4, namely that at the same time inequality reduces significantly the quality of government. The fact that both effects re-
resulted to be simultaneously significant also confirmed the presence of a reciprocal causal relation between the two variables (H6). In addition, the 3SLS estimate confirmed that education and the presence of a leftist government have a negative effect on inequality, corruption and the adherence to the neoliberal credo do increase countries’ levels of inequality, protests increase the quality of government, and that repression, on the contrary, resulted to have no significant effect on the quality of government. Following these results H9, H11 H12, H13 and H14 can be accepted while H10 must be refused.

The 3SLS estimates therefore allowed to accept all the hypotheses except for H6 and H7 for which a different strategy has been needed. Data on citizens’ attitude toward redistribution and those on socio-economic mobility perception, in fact, covered only a relatively few numbers of country/year observations, generating a high number of missing values, and the 3SLS method is not the best technique to handle missing value. To overcome the issue, I employed the SEM with the FIML estimate that is one of the best options to face the missing values’ issue.

The SEM with the FIML estimate on the one hand further confirmed most of the results of the 3SLS, except for the effect of the adherence to the neoliberal credo resulting to be positive but non-significant and, the effect of repression resulting to be negative and significant. On the other hand, the SEM also confirmed H7 and H8 about the effect of citizens’ attitude toward inequality and their perceptions of socio-economic mobility. For this reasons, further studies are needed to shed light on the effect of economic liberalism (and neoliberalism) and repression respectively on inequality and on the quality of government.
Lastly, the analysis of the effects of the different attributes of democracy on inequality and vice versa through the employment of the GSoD indices\(^\text{31}\) highlights some additional interesting results. It showed that while there is a reciprocal causal relation between the composite index of the quality of democracy (UDS) and inequality, there is no any reciprocal causal relation between the different attribute of democratic quality and inequality, and that only some attributes of democratic quality significantly influence inequality while only some attributes are significantly influenced by inequality.

In particular, on the one side inequality contributes to worsen the quality of fundamental rights, checks on government, impartial administration, and direct democracy, while it seems to have no significant effects on the other attributes. On the other side, the quality of representative government and of electoral participation significantly reduce inequality showing the presence of a Kuznets curve. At the same time, the quality of civil society participation in a first time seem to contribute to significantly reduce inequality, while its marginal effect become positive after a certain level showing a "U" shaped curve. All the other attributes of democracy on the contrary do not show any significant effect.

Overall, originated with the aim to shed light on the relation between the states’ form and quality of government and its levels of inequality, this work succeeded in demonstrating that the two variables influence each other through a reciprocal causal relation mechanism in

\(^{31}\text{The GSoD indices employed are: representative government; fundamental rights; checks on government; impartial administration; civil society participation; electoral participation; direct democracy; subnational elections.}\)
which the former have a negative effect on the latter and vice versa, but only when the quality of government is considered, while it has not any significant effect when one considers the mere type of government. Moreover, it demonstrates that, simultaneously, the quality of government can reduce inequality while inequality can reduce the quality of government. In addition, it helped to identify some additional variables and mechanisms significantly interfering with the two principal ones. And it highlights the necessity to overcome some of the assumptions of the economic theory often employed in political science research.

Due to data limitations the analysis has been carried out for the years 1960-2012, moreover with an unbalanced dataset, and therefore it did not cover most of the years following the economic crisis of 2007. The economic crisis, however, has had economic as well as political consequences within many countries, especially within democratic ones. In the last years, on the economic side, in many countries inequality and poverty registered sharp increases, and unemployment followed the same pattern; wages have shown a dramatic stagnation, where and when they have not even diminished, and labour in general suffered from an unprecedented precariousness. At the same time, at the political side, established political parties (especially Western left and centre left parties) massively lost electoral consensus in favour of "anti-establishment" and sometimes new political formations labelled as populist, but basically often being simply rightists or far-rightists. The victory of Donald Trump in the American presidential elections, the exploit of Nigel Farage who gained his referendum on the Brexit, the victory of the coalition between Lega Nord and Movimento5Stelle
in Italy, or the more recent electoral exploit of Jair Bolsonaro in the Brazilian presidential elections, are all examples of this worrying trend. This trend, of course, have been triggered and driven by several factors but a minimum common denominator can be identified in the inability of established institutions, political forces, and national and international elites, to respond to citizens’ angry and frustration deriving from an evident worsening of their living conditions. Many scholars have recently warned about the possibility that this populist raise could end up in non-democratic reversal, or in a less dramatic scenario to a general worsening of the quality of democracy.

All this discourse, jointly with the finding presented above about the reciprocity of the causal link between the quality of government and inequality and their relation, gives raise to some concluding consideration about possible future streams of research, some of which go far beyond the scope of the present work.

First and foremost, the fact that income inequality influences the quality of government (defined as the degree to which it approaches or moves away from the concept of maximum democracy) suggests the urgency for all the political parties, the national and international elites, and in general for all the democratic partisans to put pressure on governments for the immediate implementation of policies able to reduce inequality, be they fiscal or wage and labour policies. otherwise it cannot be excluded a general backlash to non-democratic forms of government, with which all the consequences that this would have on the overall international community. In this sense, it is very important to better understand, theoretically and empirically, which are the dynamics driving
the populist escalation and how it has repercussions on the countries’ quality of government. The support for “anti-establishment” and populist forces, for instance, could be integrated into the theory concerning the relation between inequality and the stability of the regimes.

On the other side, the reciprocal causal relation between the quality of government and inequality means also that fostering the latter or reducing the former could generate a positive circle that could bring benefit for countries’ economic and political life. In this sense, it is important to elaborate and implement new forms of democracy able to better include citizens in the decision-making process and at the same time more able to respond to their needs and concerns. In doing so, the further elaboration of deliberative democratic theoretical and practical models could be, for instance, a good starting point.
Bibliography


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