

ACKNOWLEDGMENTS

My interest in the topics covered by this book (democracy, income redistribution and elite relationship) began in 2010. More precisely, while discussing Amartya Sen's theory in a research group in political philosophy at the PENSAR Institute (Javeriana University) in Bogotá, Colombia. One of the most discussed issues that day within the group was Sen's claims about the implication democracy has on income redistribution. Sen defends the idea that democracies have been marked by the absence of widespread famine because of "a careful redistribution policy" (Sen, 1999, p. 184). And, similarly, because under democracies "people tend to get what they demand" (Sen 1999, p. 156). I still remember the faces of many of my colleagues who believed Sen was naïve since many countries have been democracies for a long-time, and, at the same time, have coexisted with extreme income inequalities, for example Colombia, where we found ourselves in that moment. Having a previous background in philosophy and economics, I was very curious because I knew this idea was not at all new. Later that day I found myself becoming even more enthusiastic about the issue. Today, more ten years later, my interest remains and, if anything, has only grown stronger. Why do so many democracies coexist with such huge income inequalities?

During a conversation with Raquel Gallego, my master's and doctoral supervisor, she asked me to think about the answer. Although I was not sure, I said that "there was something about the elites, how they behave and how they are related to other sectors". Raquel asked me to find a case where redistribution had occurred in democratic periods, and then to investigate its elites. To do this, she encouraged me to analyse various types of data about democracy and income distribution. After reviewing almost every single GINI from the year 2012, I found El Salvador to be an interesting case because of its GINI, which was significantly lower

compared to those of its neighbours. This book, as I present it to you, began in that moment.

This book would not have been possible without the help I received from many people, including friends and colleagues. I am very grateful to ACCPOL for its financial help and its willing to publicise this back among its members. To Colciencias and the government of Colombia who financed my master's and my doctoral studies over the course of five years. Raquel Gallego who encouraged me not to be afraid of exploring other cases different to that of Colombia and who gave me a good introduction to comparative historical analysis, as well as to the technique of process tracing. I own a great deal to Julián Cárdenas, who taught me creative ways to analyse the relationships of elites. Without all that I learned from him, not only in academic spaces, but also in many interesting conversations we shared, it would have been very difficult to formulate any of the conclusions I present in this book. The help I received from Francisco Robles was invaluable, thank you Fran for all the conversations about Central America and for the massive bibliography you gave me on the day we met. I am very grateful to the Desigualdades Institute at the Freie Universität Berlin, which welcomed me as a visiting fellow from 2015 to 2016 and which always made me feel like one of its own Ph.D. students. To Paige Nangle and David Moroney for their help during the proofreading process. I love you guys. In the same line, I am very grateful with Julio Palacios because of his nice disposition to help me with the graphs and tables. To my parents, Alfonso and María, and my sister, who have supported me so much throughout the years. Thanks for all the effort you have made to help me.

ABBREVIATIONS

ABECAFE – Asociación de Beneficiadores de Café
AHPROCAFE – Asociación Hondureña de Productores de Café
ALBA- Alianza Bolivariana para los Pueblos de Nuestra América
ANACAFEH – Asociación Nacional de Cafetaleros de Honduras
ANACH – Asociación Nacional de Campesinos de Honduras
ANAMIMH – Asociación Nacional de Minería Metálica de Honduras
ANDI – Asociación Nacional de Industriales, Honduras
APROH – Asociación para el Progreso de Honduras
ARENA – Alianza Republicana Nacionalista
ASCAFÉ – Asociación Salvadoreña de Café
ASI – Asociación Nacional de Industriales, El Salvador
BANADESA – National Bank of Agriculture Development, Honduras
BANPAÍS – Banco del País, Honduras
BCH – Banco Central de Honduras
B.G.A. – Banco Grupo El Ahorro Hondureño
B-L.E. – The relationship between the bourgeoisie and the landed elite
CACM – Central American Common Market
CCIC – Chamber of Commerce and Industry of Cortes
CD – Democratic Convergence, El Salvador
CJ – Critical Juncture
COCA – Confederación Obrera Centroamericana
COHEP – Consejo Hondureño de la Empresa Privada
CONADI – Corporación Nacional de Inversiones, Honduras
CTH – Confederación de Trabajadores de Honduras
EACI – Empresa Asociativa Campesina de Isletas, Honduras
E.E. – Economic Elites
EE-PE – Economic Elites- Political Elites Relationship
EE-M – Economic Elites – Military Relationship

FCES – Forum for Economic and Social Concertation, El Salvador
FENAGH – Federación Nacional de Agricultores y Ganaderos de Honduras
FICENSA – Banco Financiera Centroamericano
FISDL – Fondo de Inversión Social para el Desarrollo Local, El Salvador.
FMLN – Frente Farabundo Martí para la Liberación Nacional
FOB – Free-on-Board
FODES – Fondo para el Desarrollo Económico y Social de los Municipios
FOSALUD – Fondo Solidario para la Salud, El Salvador
FRTS – Federación Regional de Trabajadores Salvadoreños
FSH – Federación Sindical Hondureña
FUNDE – Fundación Nacional para el Desarrollo, El Salvador
GANAN – Gran Alianza por la Unidad Nacional, El Salvador
H1 – The first analyzed critical period of Honduras
H2 – The second analyzed critical period of Honduras
H3 – The third analyzed critical period of Honduras
IMF – International Monetary Fund
IHCAFÉ – Instituto Hondureño del Café
INA – Instituto Nacional Agrario, Honduras
INAZUCAR – Instituto Nacional del Azúcar, El Salvador
INCAFÉ – Instituto Nacional del Café, El Salvador
LDMSA – Ley de Modernización y Desarrollo del Sector Agrícola
LIBRE – Partido Liberal y Refundación
MR-M – The Meltzer and Richard Model
MSCD – The Most Similar Cases Design
OPEC – Organization of the Petroleum Exporting Countries
PA – Partido Azul
PAC – Partido Anti Corrupción
PLH – Partido Liberal de Honduras
PNH – Partido Nacional de Honduras
PCH – Partido Comunista de Honduras
PCS – Partido Comunista Salvadoreño
PCN – Partido de Conciliación Nacional
PDC – Partido Demócrata Cristiano, El Salvador
P.E. – Political Elites
PLS – Partido Laborista Salvadoreño
PND – Partido Nacional Democrático
PPP – Partido Pro Patria
PRN – National Reconstruction Plan, El Salvador
PRUD – Partido Revolucionario de Unificación Democrática

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CHAPTER I

INTRODUCTION: DEMOCRACY, INEQUALITY AND ELITES

Demands for greater income equality and opportunities have increased in social mobilizations in the recent years and current scholars around the world recognize inequality as a crucial trigger in the explosion of popular anger (Gaby & Caren, 2016; Gurr, 2015; Tilly, 2003). In fact, the word inequality has been recurrent in most of the speeches and slogans of the protests around the world, from Cairo, Egypt, in the 2011 mass protests, to Santiago de Chile and Bogotá, Colombia, in the social protests of 2019 and 2021, respectively. In addition to the demand for more social justice, the protests also tend to express a general feeling of frustration at the lack of democracy that would explain such an inequality. This book stems from the curiosity I have had for years about the role that politics can play in reducing income inequality, particularly the role of democratic regimes in redistributive processes. Why do some democratic states succeed in carrying out redistribute income processes while others fail?

Income inequality as a thematic axis has been studied with great dedication in different disciplines. However, it is quite common to focus attention on economic variables: technological processes, capital imperfections, economic growth, trade, etc (Dabla-Norris et al., 2015; Li et al., 1998; Richardson, 1995), rather than political variables. This is so even when for a long time in political thinking, democracy has been linked to a greater or lesser extent with a sort of economic and social equality. Aristotle, who considered democracy as the rule of the poor, argued that “if justice is what the numerical majority decide, they will commit injustice by confiscating the property of the wealthy few” (Aristotle, 2000, 418). Tocqueville (1840, 200) also claimed that “upon the whole, it may be asserted that a slow and gradual rise of wages is one of the general laws of

democratic communities (...) and as wages are higher, social conditions become more equal”¹.

Currently, there is a distinction between the substantial meaning of democracy –an effective control of the government in the hands of the citizens under the assumption of *Liberté, Égalité* and *Fraternité*– and its merely procedural sense, which mostly focuses on electoral processes (Huntington, 2012, p. 9). Regarding procedural democracy, it is conventionally recognized that the social and economic distribution issue is not part of its definition. Procedural democracy has been defined as an “institutional arrangement for arriving at political decisions in which individuals acquire the power to decide by means of competitive struggle for the people’s vote” (Schumpeter, 2013, p. 269 [1942]). In this sense, democracy is a political system in which most collective decision-makers are chosen through periodic elections, in which candidates freely compete for votes, and in which all the adult population is eligible to vote (Huntington 2012, 9). Although the meaning of procedural democracy is broadly accepted, there is a large body of literature that claims democracy might have substantive outcomes, even when understood in a minimalistic procedural sense (Alexander, 2002; Mainwaring, 1992; Przeworski, 1991, p. 1145).

Using an approach from the economic theory, some scholars have mathematically formalized the relationship (Downs, 1957; Meltzer et al., 1981). The Meltzer-Richard model (Meltzer et al., 1981) (MR-M from now on) has become one of the most discussed of these works. Roughly speaking, the central argument is the following: due to Downs’s assumption that programs and policies are developed according to the preferences of the median voters, if these voters’ income is below average, income redistribution will be demanded, pressuring to reallocate taxes, subsidies, and transfers until they have reached the average income². The MR-M has attracted special attention from scholars of different fields not only because it is the first formal model of the consequences of democracy on income redistribution. Also, because it contradicts classical works about modern-

¹ Other authors in Political Philosophy who also addressed this issue are Burke (2001 [1791]) Rousseau (2012 [1762]), and Sen (2011).

² In the same line as Downs and M-R.’s theory, see also Persson & Tabellini (Persson & Tabellini, 1999), Roberts (Roberts, 1977); Romer (Romer, 1975). Including social insurance instead of taxation, see the extended model of Moene & Wallerstein (Wallerstein & Moene, 2001).

ization theory, in particular those which affirm that democracy emerges thanks to a large middle class (Lipset, 1959). If this is the case, the median voter would not press for expropriation, taxation or very skewed transfers as transitions would occur with a relative fair inequality (Boix, 2003). Within this latter theory, the Meltzer-Richard model would be meaningless. A large body of literature has emerged in the last decade based on this debate. This book makes part of these works, considering whether democracy leads to redistribution and under what circumstances does democracy lead to redistribution, taking into account that initial allocations do matter.

The current debate

Currently, there are mainly two schools of thought which explore the relationship between redistribution and democracy³. Both begin from the fact that income distribution is the most important feature for understanding transitions to democracy. Hence, transitions are important to understand redistribution under democracy. Moreover, both agree with the postulate that, given the instability of the political regime during transitions, democracies seek to consolidate with high economic performance, including in terms of equality. Both schools nonetheless differ remarkably in their understanding of the phenomenon. While the first school believes that democracy arises when inequality is low, the second claims that transitions occur when inequality is high. Under their respective assumptions, the way they consider the effect of democracy on income redistribution is different: while the latter argues redistribution increases from the rich to the poor because of the constant tensions between them, the former affirms that tensions are low since transitions occur when countries are relatively equal, thus promoting vertical accountability. These differences will be clarified in more detail below.

³ I follow the classification made by Houle (2009). Other scholars (Albertus, 2012; Albertus & Menaldo, 2014) prefer to integrate both theories in only one school, calling it “the conflictive theory of democracy and redistribution”.

The linear relationship: democracy as *supply* and the maintenance of a moderate level of inequality⁴

According to this school, more egalitarian societies are more likely to succeed in transitioning to democracy than those that are unequal. High levels of inequality entail authoritarianism because of the huge polarization between the rich and the poor, leading to repression against the poorest by the rich who would fear the redistribution demands of the poor (Boix, 2003; Dahl, 1971; Lipset, 1959; Muller, 1988). In contrast, societies with a large middle class are assumed to experience less tension, thereby enabling democracy. This last assertion involves two closely linked premises. The first one goes back to Moore's argument that democracy emerges with a vigorous *bourgeoisie* in post-industrial societies (Boix, 2003, p. 39-40; Moore, 1966). The second is the assumption that redistribution occurs thanks to economic growth, as Kuznets (1955) had previously suggested (Lipset, 1979, p. 26). A high level of economic development would then be the most important foundation for democratic transition (Lipset 1959). This feature implies several important consequences for the theory of redistribution. On the one hand, if there is a large middle class under economic expansion it is inferred that most people would have resources to protect. On the other hand, most of them would not be employed by the state, so they would be able to hold political leaders accountable. In a democratic realm where most voters are middle class, social distribution is maintained, or even improved, through taxes and transfers which are demanded by such a large class (Boix, 2003, 189; Lipset, 1959).

Demanding a mild redistribution would not be a problem in democracies with a considerable degree of equality. A persuasive model in this respect was developed recently by Carles Boix (2003). He returns to the transition periods. If repression is explained because the rich fear the economic demands of the poor, then, in a moderate distributive society, they themselves will supply democracy because redistributive taxes would be low in such a scenario. This is why democracy arises, because "it is rational for the authoritarian elite to *give way* to democracy" (Boix, 2003, p. 13; emphasis added). This also explains why redistribution remains after transitions, although low, since "the underlying inequality of democracies is

⁴ Following Ansell & Samuels' classification (2010), these streams are called here as *the lineal* and *the quadratic interpretation*, respectively.

mild, their corresponding fiscal structure should not be excessively redistributive. (Therefore,) we will not find there the extent of quasi-expropriatory taxation that a strict Meltzer-Richard model (...) should lead us to expect” (Boix, 2003, p. 174. Word in parenthesis is mine).

Boix argues however that redistribution is more likely to take place in the context of an open and globalized economy, since the rich tolerate higher tax burdens on their income when there is the possibility of foreign investment (Adserà & Boix, 2002; Boix, 2003). When no such possibility exists, tensions among social classes increase, leading to violence and authoritarianism. In Boix’s words, “in closed economies, which define *Ancient Régime* societies, their elites employ a heavy dose of regulation to sustain their economic advantage over the rest of society” (Boix, 2009, p. 648). Finally, Boix remarks that nations whose economies rely largely on fixed assets, that is, commodities that cannot be produced easily abroad, tend to increase inequality and conflict. In these circumstances, concentration tends to prevail, as do coups, democratic breakdowns and violence. That would be the case of those countries that depend largely on oil exploitation, or even on coca or mining (Boix 2003, 238).

The quadratic relationship: democracy as *demand* and the increase of redistribution

A new understanding of the phenomenon has been modelled by Acemoglu and Robinson, who basically represent the second school of thought. They also put forward the argument that democracy is unlikely to emerge without the bourgeoisie (Acemoglu & Robinson, 2006). They also claim that redistribution is highly dependent on economic growth (Acemoglu, Daron; Robinson, 2000; Acemoglu, Daron; Robinson, 2001). Nevertheless, they state that the relationship between income inequality and democracy should be considered not following a linear relationship, but rather an inverted U-shaped curve, the same as Kuznets had previously suggested between growth and income distribution (Acemoglu, Daron; Robinson, 2000). This idea has important implications for the redistributive theory of democracy because, according to that view, transitions would be more likely to occur shortly after dictatorships have reached the maximum degree of inequality. As the authors put it, “the peak of the Kuznets curve [the highest possible inequality given a certain level

of growth] coincides with the extension of the franchise” (Acemoglu & Robinson, 2000, p. 1168; explanation added). An egalitarian dictatorship by contrast does not democratize because there are no potential demands for redistribution. In the same manner, the losses would be very small in the case of expropriation. This idea has an important implication: the elites can maintain autocratic regimes without facing the threat of revolution. This premise explains why in such context there is no incentive for elites to offer democracy: if the masses do not demand democracy as there are no incentives for redistribution, there will be no threats; then elites will not supply it (Acemoglu & Robinson, 2006; although very briefly, Przeworski (1991) reached similar conclusions).

The situation is different in very uneven dictatorships or in those with a medium level of inequality, as the authors (2006) subsequently recognized. There, the poor ask for democracy since they know the redistribution mechanisms it brings, leading to the use of repression by the elites in order to protect their property. The use of repression keeps increasing until the costs of repression exceeds the redistributive costs democracy entails, a point at which elites accept the transition. According to these authors, that would be the case of countries such as Britain, France, Germany and Sweden, where “the peak of the Kuznets curve appears to have followed democratization” (Acemoglu & Robinson, 2006, p. 1194). After transitions, redistribution improves, so the Meltzer-Richard model applies. This is found to be the case, for example, when analysing the great redistributive reforms that occurred in Western Europe in the 19th and 20th centuries. According to the authors, there is evidence that it happened in Britain between 1867 and 1884; in France during and after the end of the second empire (until 1886), when the tax rates increased to 82%; in Germany in the Weimar states; and in Sweden during the 1920s (Acemoglu & Robinson, 2000, p. 1192; 2006).

The argument of the book

Two features form the basis of the democratic theory of redistribution. First, economic elites defend their wealth using repressive means, thereby ensuring income inequality. Second, the masses mobilize using violent means, forcing the phenomenon of redistribution. Regarding the former however there are certain assumptions. First, repression is maintained until its costs

exceed its benefits (Acemoglu, Daron: Robinson, 2001; Acemoglu & Robinson, 2006; Boix, 2003). Secondly, there are instances in which the repressive costs become unsustainable, either because the degree of the masses mobility increases until reaching its peak (Acemoglu, Daron: Robinson, 2001; Acemoglu & Robinson, 2006), or because inequality has been reduced to the point that repressive costs are more expensive than masses' demands (Boix, 2003). Thirdly, it is claimed that democracy finally coincides when the cost of repression outweighs its benefits. So, by transitivity, redistributive consequences of democracy coexist without repression (Boix, 2003).

This approach is insufficient. On the one hand, it assumes that repression culminates after transitions to democracy, concluding that elites at that point are unable to retain their incomes by violent means. On the other hand, it supposes that costs are associated exclusively to the confrontation between the masses and the economic elites, neglecting to consider intra-elite relationships. This book emphasizes that there might be a more important reason why democratic countries do not redistribute: the type of relationships the different elites establish. Since Marx and Lenin; Weber, Veblen and Parsons; Mosca and Pareto, together with the presence of a strategic place for the powerful as absolutely necessary for the stratification system, there must be a tendency towards a differentiation of attitudes, roles, values, ideologies and patterns, which arise with capitalism and establish the way in which men relate to each other (Parsons, 1954, p. 326-331). This class differentiation increases insofar as modernization develops: the bourgeoisie being the clearest example, making organization and cooperation among social classes difficult, leading to conflict even among the higher strata. As Lipset (1985, p. 254) points out, "endemic in all postagrarian societies is conflict between the more and less modern sectors based on the explosive tendencies of the modern sector to expand. (..) [Due to this,] the conflict is perhaps most felt at the level of the elites although it is acutely felt in the lower strata as well" (bracketed words are mine).

In light all of this, this research attempts to explore *the extent to which the elites' relationships affect the likelihood of redistribution, in a context of democracy and of high-income concentration*. This book intends to demonstrate therefore that economic elites may obtain most of the social income only if they establish cohesive relationships, between themselves – between the landed elite and the bourgeoisie, in particular –, as well as between other sectors of power: the political and military elites –. This thesis dares to suggest three hypotheses:

- a) In a comparison of countries, those having conflictive relationships between the landed elites and the bourgeoisie will be more likely to have redistribution under democracy than will those having cohesive relationships.
- b) In a comparison of countries, those having conflictive relationships between the economic and the political elites will be more likely to have redistribution under democracy than will those having cohesive relationships.
- c) In a comparison of countries, those having conflictive relationships between the economic elites and the military will be more likely to have redistribution under democracy than will those having cohesive relationships.

Conflictive relationships here mean opposite redistributive preferences among groups. That is, while some are in favour of redistribution, others are opposed. Cohesion, by contrast, refers to similar preferences. Similar preferences regarding goals make it easy for groups to avoid harmful relationships, to make alliances and form coalitions. In the same token, when elites' preferences are opposite, cooperation may be rejected because the costs of conflictive goals become prohibitive.

Redistribution as a result of a conflictive relationship between the bourgeoisie and the landed elites

Inter-elite conflict and inter-elite cooperation are issues that have been studied extensively in the social sciences. It is assumed that as society develops economically, the likelihood of cooperation among the economic elites decreases while the likelihood of conflict increases (Marx, 1936; Parsons, 1954, 1969, p. 330-331). As is well-known, economic growth facilitates the birth of emerging groups and classes with different social values: the bourgeoisie, as mentioned before, is the clearest example. The bourgeoisie seeks to gain a position within society even at the risk of coming into conflict with older privileged groups (Lipset 1985). A complex social system accordingly is inherently unstable (Lipset, 1985).

In spite of this, serious studies have shown that the bourgeoisie can get along very well with older strata, in particular with the landowners, even if they are embedded in societies which undergo economic changes. The

most cited examples are found in Germany and Japan during their transitions to capitalism, which were analysed in detail by B. Moore (1974, chap. V and VIII), yet there is also evidence for other countries and regions such as Italy (Chubb, 1982; Gramsci, 1991), some countries in South Asia (Case, 2012; Scott, 1972), and some in Latin American (Fox, 2007, p. 63; Lipset, 1971), where there was no rejection of traditional values on the part of the bourgeoisie. According to Barrington Moore, the most significant consequence of coalitions between the bourgeoisie and the landed elite is a fascist authoritarianism, the fact that elites are able to repress the masses, creating “a violent rejection of humanitarian ideals, including any notion of potential human equality” (Moore, 1974, p. 447).

Contrary to Moore’s argument, this research maintains that democratic regimes also experience coalitions between landowners and the bourgeoisie, this being the cause not of dictatorship but of highly uneven systems which might persist even under democracy. By contrast, when the bourgeoisie establishes conflictive relations with the landed elite, thus avoiding any alliance between both sectors, the likelihood of redistribution increases because the bourgeoisie fosters economic programs that are beneficial for the lower classes, as Moore himself vaguely described in his classical *Origins of Democracy and Dictatorship*. Moore does not say anything about redistribution, as some scholars have insisted, but his arguments about inter-elite conflict might explain to a large extent, the different effects democracy has on income redistribution. According to Ansell and Samuels, whose argument is very similar to mine, “instead of fear redistribution, key actors’ preferences (...) are a function of the political consequences of the commercialization of agriculture and the rise of industry (...). [Then], Moore highlights growing demands to rein in royal prerogative over taxes and spending among voters and non-voters, and in both rural and urban areas” (Ansell & Samuels, 2015, p. 207).

Income redistribution as a result of a conflictive relationship between the economic elites, including both the bourgeoisie and the landowners, and the political elites

Inter-elite conflict goes beyond the relationships the landed elite and the bourgeoisie establish. History shows that other ruling elites such as the military, the church and political leaders have undergone conflict sit-

uations with other sectors of power (Mosca, 1939). Political power plays a central role in the argument of the book. It has already been said that the redistributive theory assumes that political leaders are forced to implement redistribution policies, in most cases through taxation, because they behave according to the average voter's interests. The theory assumes a pluralistic power structure: several political elites who compete and try to identify voters' social preferences to get maximum possible votes. Some critics of the pluralist theory however have appeared over time. Democracy is embodied in an underlying economic structure, in Marxist terms an economic *Unterbau*, which is there to serve the upper classes. Depending on the social structure, the elites vary, but in capitalist societies it largely coincides with the rich. Under capitalism, democracy is there to serve the bourgeoisie's interests (Marx & Engels, 2005, p. 8).⁵

Both theories partly reflect reality. When it is conceived under the minimalistic perspective, democracy may indeed reflect the preferences of the economic elite, especially if they do not have to face any political actor who opposes their interests. In this case, the preferences of the economic elite would prevail rather than those of the social collectivity. However, it could be the case that political actors or groups in power reveal autonomous preferences in relation to the upper classes, increasing the fears of the latter and causing new displacements of electoral equilibriums. Therefore, the presence or absence of autonomous political elite from the upper classes is a fundamental feature when it comes to understanding income redistribution. Moreover, this autonomy should be preserved regardless of the nature of the economic elite in question, and regardless of whether the latter concentrate most of their resources in land, services, or in industry. In other words, regardless of whether the economic elites are of landed or bourgeois nature. Other works have explored the issue, all them emphasizing the role of the left in redistribution (Hewitt, 1977; Huber & Stephen, 2012; Piketty, 1995).

A note on Robert Dahl's theory

The work of Robert Dahl is of great importance in the theory of this book, which considers that the citizens could force the government to

⁵ See also Mosca (1939); for a wider explanation of the argument, see Sartori (1992), 30-31; Dahl (1989).

redistribute income if two conditions are met. In addition to a regime that allows individuals to exercise mechanisms of control on the government, including the vote, it is necessary that at least one autonomous political group from the economic elites exists. Both conditions are in Robert Dahl's theory to explain a polyarchy system (Dahl, 1971). Contrary to the elitist theory, which sees the presence of elites as an insurmountable obstacle in the democratic ideal, in the polyarchic theory the elites are essential groups in the construction, consolidation and stability of democracy. According to Dahl, if there is an equilibrium among elite forces, one which is sufficient for no elite to be subjected to the others, it will be impossible for the government to be controlled by one single elite. Therefore, democracy cannot be based on any other principle than the plurality of groups, parties and organizations (García, 2005).

Democracy's main objective however is that citizens can determine public policy through electoral mechanisms and procedures. In this sense, the institutional framework allows citizens to determine gradually the course of state activity, through what Dahl and Lindblom call incrementalism (Dahl & Lindblom, 2000). If political elites in power do not follow people's demands because they are subjected to economically powerful groups, they would run the risk of losing the favour of the electorate. This could cause that a leader may spontaneously emerge and attract popular attention. Dahl, in fact, believed that unsatisfied citizens could pressure the state with their votes for further state intervention in the economic sphere if there are groups or individual in politics who can represent these voters. In doing so, democracy could be a political system which eliminates extreme economic inequalities and which implies greater and more extensive precepts of social justice (Dahl & Lindblom, 2000; García, 2005). According to Druckman and Jacobs (2015, p. 5), explaining Dahl's theory "as more Americans prefer that taxes be decreased, a left-leaning politician may alter his or her position to become more opposed to taxes".

Income redistribution as a result of a conflictive relationship between the economic elites, including both the bourgeoisie and the landowners, and the military

The military is a major player in modern societies. It has ruled in many cases by authoritarian means, possessing a disproportionate weight

in the decision-making process. Moreover, although military regimes have declined in favour of democracy, military power continuously represents a large threat to political stability. In many regions of the world, military intervention is frequent, “to the extent that military support is often seen as fundamental to a regime’s survival” (Haynes, 2013, p. 19). In Latin America and Asia, for example, many countries have recently undergone democratic breakdowns and coups by the military, and in the United States, an advantaged country, the military has historically used the concept of social responsibility as a justification for political intervention (Driver, 2009, p. 175). Military intervention in politics seems to be very unlikely, even though most democratic governments agree to work in order to avoid it. As many scholars have already pointed out, the military’s retreat from politics should be treated as a matter of degree rather than of full completeness (Feaver, 2003; Rudolph, 2017).

The role of the military in politics makes it a fundamental player in considering in the understanding of the failure of redistribution under democracy. The same democratic theory of redistribution gives the military a central role as it portrays it as a mobilizing agent in helping the rich to block redistributive processes, often by means of a coup (Acemoglu & Robinson, 2006; B. W. Ansell & Samuels, 2015; Boix, 2003). There is, however, a clear lack of understanding of why the military intervenes to protect the rich when the latter fear the redistributive consequences of democracy, and why this solidarity remains throughout the years. It has been suggested that it may be that the rich bribe the military, or that the military once in power uses its political power to enrich itself, thus placing on the same side as the economic elites (Acemoglu & Robinson, 2006b, p. 2006). In both cases, however, little research has been done (Brömmelhörster & Paes, 2003).

The theory of this book considers that an autonomous military sector, even one whose preferences are opposite those of economic elites, allows redistribution because the likelihood of a coup is reduced when political leaders undertake wide redistributive programs. On the contrary, when the military’s preferences are close to those of the upper classes, redistribution fails either because political actors are afraid to implement redistributive policies, or because, when they implement them, the likelihood of a coup increases. A possible left-wing side of the military, as well as its effects on redistribution, have rarely been examined, despite the fact that many military members have shown left-wing leanings (an exception is found

in Albertus (2012, 2015)). Such was the case of Juan Velasco Alvarado in Perú in the seventies and of Hugo Chávez in Venezuela, both with large support within the overall military sector.

Methods of inquiry

The units of analysis in this study are democratic countries, particularly throughout the 20th century and until the present. This period is selected since most democratization experiences have occurred in that century. Also, this study will take into consideration certain important events in history as units of observation, which might represent “redistributive threats”. This book uses a comparative historical research, which has been in use for a long time in politics. The goal of comparative historical research is essentially the search for causal explanations throughout history. In other words, it considers that causal relationships can be found over time (Mahoney & Rueschemeyer, 2012, pp. 12-13). Therefore, rather than static points, it examines sequential processes in an historical context. Comparative historical research however does not simply look for a correlation among the cases. It seeks to contrast the selected cases for a better understanding of the relationship of variables (Skocpol, 2012). Moreover, although it is possible to use many cases for the analysis, comparative historical research tends to conduct research with a small number of cases (Mahoney & Rueschemeyer, 2012). In addition, comparative historical research seeks a contextual and systematic comparison between two or more cases that are similar or contrastable. Here, El Salvador and Honduras are the countries selected. This selection of cases is based on the Most Similar Cases Design (MSCD), which is also known as the Method of Difference because it is based on the differences found in very similar cases. As Table 1.1 shows, El Salvador and Honduras are selected because while redistribution is absent in Honduras, it is present in El Salvador. The same pattern is seen in the conflictive relationship variable. While in El Salvador the intra-elite relationships are more conflictive during redistributive threats, in Honduras, they are cohesive. Finally, democracy and other variables including education, corruption and colonial heritage are controlled. Notice that in the Most Similar Cases Design the emphasis is on finding or discarding sufficient conditions rather than necessary conditions. This is important to consider throughout the entire reading of this research.

Table 1.1

MOST SIMILAR CASES DESIGN STRATEGY FOR CASES SELECTION				
CASES	HYPOTHESIS VARIABLES		ALTERNATIVES VARIABLES	
	REDISTRIBUTION	CONFLICT RELATIONSHIP	DEMOCRACY	RIVAL VARIABLES
EL SALVADOR	Present	Present	Similar	Similar
HONDURAS	Absent	Absent		

In addition to this, both qualitative and quantitative techniques will be used. Regarding the qualitative section, it will use process tracing which focuses on the connection among the explanatory, and intervening and outcome variables, all of them traced in the past (D. Collier, 2011; Mahoney & Rueschemeyer, 2012). The data will be based mainly on the study of secondary sources, a common way of addressing the analysis in comparative historical analysis. As Skocpol (2012, p. 382) states “secondary sources are appropriate as the basis source of evidence for a given study”. However, one “must pay careful attention to varying historic interpretations, both among contemporary historians and across scholarly generations of historians”. For the most recent periods, local newspapers are reviewed. Press nonetheless, shall be used only when there is a clear lack of information of in-depth historical research. Regarding quantitative techniques, regression models will be carried out. The variables are operationalized from indicators primarily taken from the World Bank (2019).

Process Tracing: Causal sequences, critical junctures and actors’ decision making.

Process tracing has basically three characteristics. It attempts to draw causal sequences which are observed in the studied cases. Therefore, it trac-

es trajectories of change and persistence which have been seen in the past. In process tracing, drawing causal and temporal sequences is desirable. Therefore, it directs attention to how the independent and dependent variables relate over time, as well as to the role of intervening variables and of the causal mechanisms which come across when studying the cases (D. Collier, 2011; Mahoney, 2000, 2010). Causal mechanisms include activities and the actors who are involved in those activities. Mechanisms are useful to understand why and how the independent variables relate to the dependent variable (Lyall, 2014; Sambanis, 2005).

Process tracing also uses relevant moments in history for making causal explanations: a set of events which are temporally limited, and which are crucial for the understanding of the target relationship. As Skocpol (2012) reminds us, they help us to validate, step by step, the overall argument. But what are the criteria in the selection of these relevant moments? According to Benneth (2015, p. 26), “a reasonable place (to begin) may be a critical juncture at which an institution or practice was contingent or open to alternative paths” (the words in parenthesis are mine). Critical junctures are “major watersheds in political life that establish certain directions of change and foreclose others in a way that shapes politics for years to come” (R. B. Collier & Collier, 1991; cited from Bull et al., 2014). Hence, “the descriptive component of process tracing begins not with observing change or sequence, but rather with taking good snapshots at a series of specific moments” (D. Collier, 2011, p. 825). In order to make a causal argument, one or several critical junctures may be chosen. Furthermore, they may be separated in time. Although this way of addressing historical research has been criticized, most strongly by Marc Bloch (cited from Skocpol) who has advocated for more “unified theories”, “the unities of time and place must be broken for the ministering purposes of drawing comparisons and hypothesis testing” (Skocpol, 2012, p. 383).

Process tracing finally focuses on the decision making of the involved actors: groups’ reactions that follow or are behind those critical junctures, their preferences and motivations, temporal constraints, and incentives. According to Gerring (2004, p. 348), while explaining why process tracing is a useful tool, “often, the connections between a putative cause and its effect are rendered visible once one has examined the motivations of the actors involved”. In process tracing therefore critical junctures are important because they showcase the political dynamics that surround the groups, which in turn lead us to infer why those groups make their decisions, the

reason behind their aims, and the decisions and actions that were considered, and those which were rejected (Bengtsson & Ruonavaara, 2017; Capoccia & Kelemen, 2007; Katznelson, 2012).

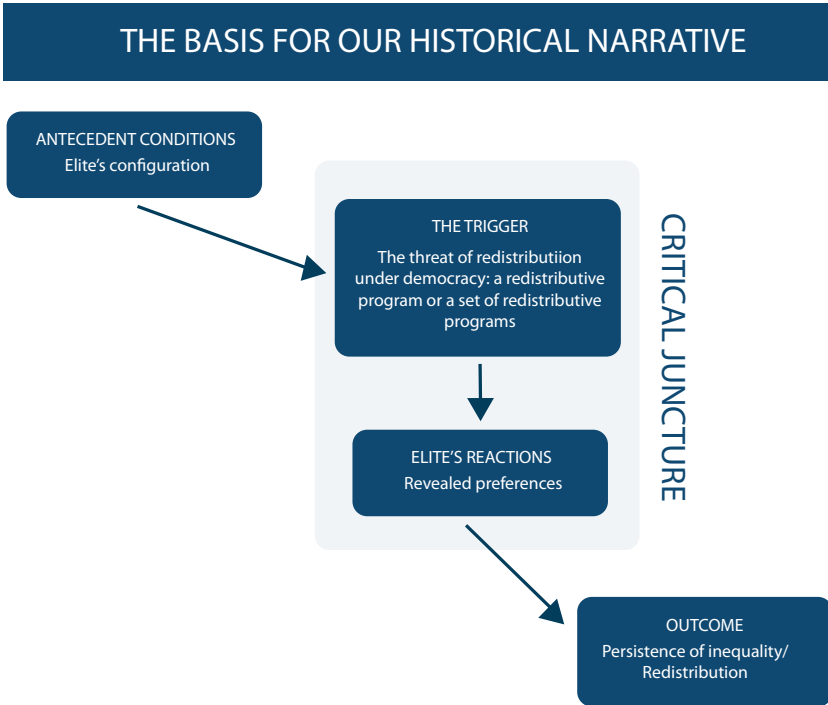
Selection of Critical Junctures

In order to select Honduran and Salvadoran critical junctures, the following criteria were considered:

- a) The status quo is less stable in those junctures.
- b) These junctures emerge under democratic periods, although they may end up in a dictatorship.
- c) Each critical juncture is temporally limited and concrete, but its duration varies. In other words, while some may be long-lasting, others may last only a few years.
- d) These moments are unleashed either because a party (or a political leader) implements or seeks to implement a wide-ranging redistributive program (or a set of redistributive programs), or because an opposing party (or an opposing political leader) threatens to implement it in the future, above all in elections. These programs or plans are, therefore, the trigger of the critical junctures.

Due to the above-mentioned characteristics, these critical junctures are called “redistributive threats under democracy”. Along with the critical junctures (CJ from here on), it is important to describe the conditions which preceded them: the antecedent conditions, as well as the outcomes of those critical junctures. The type of elites, the activities the elites undertake and how they relate during those critical junctures are also analysed. In addition, the preferences of the elites must be explicitly shown, during and after the unfolding critical junctures. Finally, the narrative of the book should explain why these preferences are related to specific outcomes of redistribution. This is summarized in Figure 1.1., which is the basis for the historical narrative the book describes.

Figure 1.1



Overview of the book

This book is organized as follows. Chapter 2 presents some empirical evidence about the relationship between income inequality and democracy, concluding that there is no correlation between these variables. Democratic regimes have maintained income inequality, which has increased in the last decade, more obviously so in poor or developing countries. In chapters 3 and 4, three historical periods in Honduras are studied, all of them in which redistributive threats under democratic periods occurred. The first of these (H1) coincides with the country's first democratization process, in which the Liberal Party and the Communist Party sought to establish better conditions for workers associated with the banana companies, a warning both parties made explicit in the 1932-elections. The

Communist Party went even further, threatening to reduce the imperialist power of foreign companies which had settled in the country. The most important company at that moment, the United Fruit Company, however, received ample support from Tiburcio Carías, the political leader of the National Party. Carías seized power and governed dictatorially repressing opposition. Cohesion between political and economic powers arose because of the annihilation of the opposition. By that time, Honduras had become a banana republic par excellence.

A second critical period (H2) takes place between 1957 and 1963, a very different period from H1 as the military sector, the bourgeoisie and the local landed elite had gained strength and power. During the juncture, the elites entered a situation of conflict and various military coups took place. Ramón Villeda Morales assumed duties as president in 1957 through fair elections and was supported by broad sectors of civil society, including the bourgeoisie. Villeda Morales was willing and committed to pursue an ambitious agrarian reform, although he agreed with both the banana companies and the landed elites that he would not expropriate any of their lands. Villeda Morales managed to remain in power due to a pact with the military in which he guaranteed it autonomy. However, Villeda Morales would be removed eventually from the presidency because of a bloody coup in 1963. General Oswaldo López Arellano seized power, but surprisingly he would show leftist leanings, eventually carrying out the desired agrarian reform his predecessor had sought to implement. The agrarian reform was supported by large sectors of the Honduran bourgeoisie who made up the so-called *Las Fuerzas Vivas* (the living forces). Soon, a new coup against López Arellano occurred, establishing a government more akin to the interests of the landed elite. On the other hand, the bourgeoisie was transformed, leaving behind the conflicts with the landed elite and assuming an anti-communist discourse.

A third critical juncture (H3) was established under the government of Manuel Zelaya, who was supported by an international political left-wing environment. Zelaya pursued ambitious redistribution programs such as the increasing of the minimum wage by almost 100% during his government, which constituted a real breakthrough in the history of the economic policy in Honduras. Here, all political, economic, and military elites reacted strongly, showing their disgust at what they considered to be a Machiavellian plan by Hugo Chávez to implement 21st century socialism in Honduras. Finally, Zelaya suffered a military coup, the last document-

ed in Latin America. Subsequently, a new government was established in which a very regressive tax reform was implemented. The redistributive tendency of the previous government was reversed, and Honduras quickly reached the same high levels of income inequality of the past.

In chapters 5 and 6, three historical periods are also analysed, but now in El Salvador. The first (*ES1*) deals with the short-lasting democratic experience that the country underwent in 1931, in which Arturo Araujo came into power. The overall objective of Araujo was to carry out an agrarian reform. However, without the backing of the coffee elite, his promises would be rapidly unfulfilled. Araujo was overthrown by a military coup which in turn brought General Maxiliano Martínez, a great ally of the coffee elites, into power. Martínez forcefully repressed political sectors in favour of any kind of wide redistribution, including the Salvadoran Communist Party. After *La Matanza*, a popular uprising in which more than 25,000 people died at the hands of the military, Maxiliano Martínez governed basically favouring the coffee oligarchy. Inequality increased during his administration, reaching perhaps its maximum peak in Salvadoran history.

The peace agreements carried out in 1991 were the second period studied here (*ES2*), which gave rise to electoral participation of the former communist guerrilla group FMLN. The agreements were the result of an elite fragmentation because of the war. Fragmentation however occurred on two sides. The bourgeoisie drifted apart from the interests of the coffee elite and began to moderate its discourse in favour of a peace process and its subsequent accord. Also, a military sector which was divided between moderate and conservative members, the latter in tune with their former coffee allies. With the advance of the war and the international discredit of the military sector due to the death of six Jesuits in 1989, the military sector finally accepted the agreements under the condition of an amnesty law for its crimes. Peace brought about changes in the distribution of income, all in a context of massive flows of remittances that undoubtedly helped to improve the welfare of the lower classes. The decline of the GINI that the country would experience however would soon be reversed due to shocks caused by the structural and neoliberal program undertaken by the Salvadoran bourgeoisie during and after the peace accords.

The threat of the progressive increase of FMLN power in elections is the third studied juncture (*ES3*). While the Salvadoran bourgeoisie is widely represented by ARENA, an essentially bourgeois party, both political and economic elites are in continuous mid-level conflict because

of the presence of the FMLN, a leftist party with a considerable electoral support. During its governments, the FMLN launched and implemented the Universal Protection System (SPSU), highly criticized by ARENA for a long time. SPSU benefited the poorest sectors of the country by providing them with universality in primary and basic social services. During this period, the new attitude of the military, former enemies of the guerrillas, was surprising. Although a large part of the military remained close to the bourgeois sectors via ARENA, another part had shown widespread support for the FMLN. As stated by Mario Rodezno, a colonel in chief now in retirement, “there are a lot of officials who support the FMLN, but they are still afraid of being classified as traitors” (Bernal, 2014; own translation). During this period, the GINI has shown a very remarkable and long-lasting decline.

In chapters 7 and 8, a correlation analysis and the conclusions are presented, respectively. The conclusions can be summarized as follows: Whenever the relationship between the bourgeoisie and the landed elite (B-LE) is conflictive, the likelihood of redistribution increases as the bourgeoisie may support programs that benefit the lower classes, but which concurrently harm the landowners (e.g., an agrarian reform). Also, because the bourgeoisie intervene in the expansion of industry and services, and all those processes which are related to it. A conflictive B-LE relationship however cannot be considered a sufficient condition as, over time, increases in inequality may arise even in the presence of such a condition. Because of the methodological approach of the book, it cannot be concluded that this is a necessary condition. Such a conclusion would require further research. In addition to this, redistribution under democracy is more likely present when conflictive preferences towards redistribution vary between two sectors: the economic elites, on the one hand, and the political elites and the military, on the other. By using the same logic, redistribution is unlikely when there is a cohesive relationship between the economic elites and these other two forces. These conclusions are limited because of the approach used here. Only two countries were selected in an attempt to control many important variables. Despite this limitation, this book can provide some insights about when redistribution occurs under democracy and in contexts of high-income concentration.

CHAPTER II

EMPIRICAL EVIDENCE

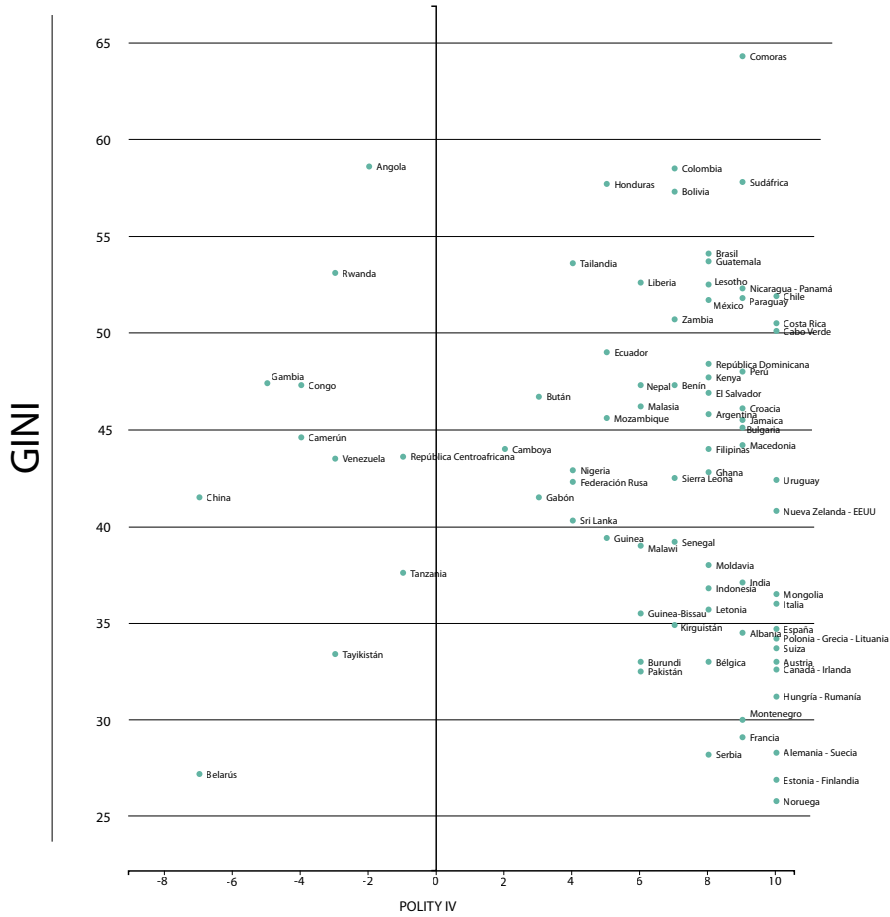
Redistribution here means some adaptations over time of income distribution in favour of the poor. It does not necessarily imply that the rich give up part of their income or wealth to be transferred by the state. Even though one of the causes of redistribution can be wealth expropriation or taxation, there are many ways to redistribute. This is the case, for example, when the state transfers income to the poor through external debt, or through profits based on exportation of natural resources. Taking this concept of redistribution, GINI decline is the best way to represent it, as a large part of the literature has already carried it out in this way. Taking the GINI-2014 coefficient from the World Bank (2019) between 2006 and 2012 to measure income inequality, and the 2010-Polity IV index (Polity, 2014) to measure procedural democracy, it is found that many of the democratic countries (all those with values greater than or equal to 6) show different values of income inequality (see the Figure 2.1; the list of the included countries is on the Table 2.1). It also happens with authoritarian countries, albeit to a minor extent since most of them are below the line of inequality (43 of GINI). Therefore, it seems there is no specific link between the level of democracy and inequality reduction.

Competing explanations

Before continuing to investigate the relationship between democracy, income inequality and redistribution, a brief explanation of competing variables that can also explain redistribution will be provided. Education, corruption and colonial heritage are taken into account, in addition to economic development, one of the most important factors that affects income inequality.

Figure 2.1

INEQUALITY TREND (AV. 2006-2012) VERSUS THE 2010-POLITICAL REGIME



Source: Elaboration based on the Quality of Government (Teorell et al., 2016) and the World Bank (2019) datasets.

Table 2.1

LIST OF THE COUNTRIES INCLUDED IN THE ANALYSIS

Afghanistan	Canada	Georgia	Latvia	New Zeland	Slovenia
Albania	Central African Rep.	Germany	Liberia	Niger	South Africa
Angola	Chile	Ghana	Lithuania	Nigeria	Spain
Argentina	China	Greece	Luxemburg	Norway	Sri Lanka
Armenia	Colombia	Guatemala	Macedonia	Pakistan	sudan
Australia	Congo	Guinea	Madagascar	Panama	Swaziland
Austria	Congo, D.R.	Honduras	Malasya	Paraguay	Sweden
Azerbaijan	Costa Rica	Hungary	Malawi	Peru	Switzerland
Bangladesh	Croatia	Iceland	Mali	Philippiness	Syria
Belarus	Cyprus	India	Malta	Poland	Tajikistan
Belgium	Czech Republic	Indonesia	Mauritania	Portugal	Tanzania
Benin	Denmark	Iraq	Mauritius	Qatar	Thailand
Bolivia	Dominic Rep.	Ireland	Mexico	Romania	Togo
Bosnia and Herz.	Ecuador	Italy	Moldova	Rwanda	Tunisia
Brazil	Egypt	Ivory Coast	Mongolia	Russia	Turkey
Bulgaria	El salvador	Japan	Montenegro	Senegal	Uganda
Bhutan	Estonia	Jordan	Morocco	Serbia	United Kingdom
Burundi	Ethiopia	Kazakhstan	Mozambique	Seychelles	United States
Burkinina Faso	Fiji	Korea, South	Nepal	Sierra Leone	Uruguay
Cambodia	Finland	Kyrgyzstan	Micronesia	Singapore	Venezuela
Cameroon	France	Laos	Netherlands	Slovakia	Vietnam
					Zambia

Education

As education becomes increasingly important for economic growth, the compensation given to the labour force in industrial societies depends to a large extent, on workers' educational level (Kuznets, 1973; Przeworski, 2009). The relationship between income distribution and education has been broadly discussed, and the consensus is that it follows a U-shaped curve. In other words, in the first stages of economic expansion, concentration increases because educated people obtain greater benefits through salaries than the non-educated. However, after having expanded human capital throughout the entire population, income concentration is reduced primarily because salaries decline as a result of the market forces. Under those premises, democracy could fail in reducing inequality because its levels of education are insufficient to counter the negative effects it brings in the first stages of growth.

Corruption

Corruption is one of the most discussed explanations for skewed income distributions in democratic countries. Essentially, corruption is the use of different mechanisms to favour or secure personal interests avoiding the principle of transparency embodied in the legal system (Boix, 2009). Among these mechanisms which are frequently used to increase personal wealth or to have preferential treatments, one should consider the misuse of public resources, tax evasion, or peddling influence, which significantly distorts the distribution of public money (Alesina & Angeletos, 2005; Li et al., 2000). Corruption furthermore increases the public aversion to taxes, leading to the loss of their redistributive functions as they might be perceived as ways to enrich the rich rather than to redistribute. Although democracy is expected to restrain corruption since opposition parties would use it as an issue of public punishment against the party in power or the incumbent, democracy could increase the level of corruption. Democracy enlarges bureaucracy, especially shortly after transitions, and consequently increases the number of institutions related to governmental regulation. It in turn, promotes the emergence of government officials more prone to accepting bribes in exchange for favours (S. P. Huntington, 2006, pp. 61.69).

Colonial heritage

Income redistribution could be correlated to some degree to colonial heritage, whose legacy is difficult to correct by means of democracy (Acemoglu et al., 2005; Acemoglu & Robinson, 2008; Lipset, 1971; Lipset & Laikin, 2004). Since its inception, political economy has viewed colonialism as a crucial factor in understanding the economic structure of nations. Adam Smith (1776, b. V, Ch. I) was very critical of colonization processes. Smith argued that the role of the European settler was very harmful for the colonized societies as the settler did not behave as a governor who should think of the well-being of the population. Rather, he was a transit merchant who cared only about immediate profit, thus disrupting the efficacy of economic institutions in resources allocation.

Moreover, some works have pointed out that colonialism played a significant role in income inequality in those colonies where Europeans did not settle, where they were a minority, or where there were powerful resources to

extract, either from the indigenous population or from the natural environment. In those places, the settler did not have incentives to establish good institutions as they make more difficult the extraction of resources, thereby sowing the seeds of institutional failure that still seem to be present (Acemoglu et al., 2005). Following Lipset and Laikin (2004), this was clear in the colonial geography of Spain and Portugal. In the case of Spain, there were no institutionalized limitations to protect people from capricious rulers until the Bourbon Reforms. This is a view that “reinforces the dominant position of the state elites because they can discredit specific interest groups or opposition forces for trying to deform the national interest so as to achieve their own private gain” (S. Lipset & Laikin, 2004, p. 284). According to the named authors, these trends have continued until the present day in many Spanish and Portuguese-speaking countries, albeit with modifications, some certainly stronger than others. Hence, explaining the current social divisions in Latin America, an extremely unequal region (S. Lipset & Laikin, 2004, p. 311).

Running some simple model

It is of interest to investigate the relationship between income inequality and democracy under two scenarios: a linear relationship and a quadratic one, while controlling other competing explanations such as the effects of growth, education, corruption and colonial heritage, variables that are considered as relevant in the literature. Here, the dependent variable is the average of the GINI index between 2006 and 2009 (UNU-WIDER, 2019) while democracy is the Polity IV index (Polity, 2014). Other variables are economic growth as the GDP per capita in 2009 (The World Bank, 2019), corruption as the control of corruption measure in 2009 (Kaufmann et al., 2009), and education as the average schooling years for 2010 (Barro & Lee, 2013). The collected data set belongs to the Quality of Government Institute (Teorell et al., 2016), although many missing GINI indexes were taken directly from the World Bank (2019).

Results for democracy and income distribution

In the baseline regressions for income inequality (columns 1 and 6, Table 2.2), the ordinary least squares technique (OLS) results suggest that

Table 2.2

OLS MODELS FOR INCOME INEQUALITY										
	Income inequality									
	OLS					OLS for polynomial regression				
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10
Democratization	0.25** (0.12)	-0.06 (0.12)	-0.07 (0.13)	-0.07 (0.14)	-0.07 (0.13)	0.07 (0.16)	0.09 (0.16)	-0.13 (0.17)	-0.13 (0.18)	-0.02 (0.17)
Democratization ²						-0.08** (0.03)	-0.008 (0.03)	-0.003 (0.03)	-0.008 (0.03)	-0.005 (0.03)
Economic Development		-0.0003*** (0.00)	-0.0002** (0.00)	-0.0002* (0.00)	-0.0002 (0.00)		-0.0007*** (0.00)	-0.0005** (0.00)	-0.0006** (0.00)	-0.0006** (0.00)
Economic Development ²							8.71e-09** (0.00)	7.52e-09** (0.00)	8.27e-09** (0.00)	7.32e-09* (0.00)
Years of education			-0.34 (0.33)	-0.34 (0.33)	-0.17 (0.34)			4.08*** (1.15)	4.19*** (1.16)	2.62** (1.20)
Years of education ²								-0.28*** (0.07)	-0.29*** (0.08)	-0.15* (0.08)
Corruption				-0.16 (1.40)	0.12 (1.16)				0.94 (1.40)	0.87 (1.23)
Colonial originis (Never colonized as reference)										
Dutch					3.55 (6.15)					1.74 (6.09)
Spanish					13.74*** (1.88)					12.27*** (1.97)
US					7.08 (6.04)					4.00 (6.05)
British					6.22*** (1.96)					4.70 (2.02)**
French					4.18 (2.70)					4.69* (2.67)
Portuguese					12.67** (4.65)					13.60** (4.60)
Belgian					5.40 (4.16)					5.97 (4.15)
Constant	38.79*** (0.92)	41.02*** (0.95)	43.36*** (2.08)	43.21*** (2.47)	34.78*** (3.61)	41.62*** (1.29)	42.12*** (1.25)	29.93*** (3.89)	30.61*** (4.03)	26.65*** (4.91)
Observations	121	121	109	109	109	121	121	109	109	109
Rsquare	0.03	0.20	0.20	0.22	0.52	0.10	0.24	0.30	0.34	0.55
B-P / C-W test for heteroscedasticity. Ho: Cons. Variance (Prob>Chi 2)	0.02	0.41	0.86	0.82	0.47	0.04	0.97	0.15	0.18	0.78
V.I.F. mean (with centered values for quadratic regressions)	1	1.13	1.68	3.15	2.33	1.55	3.32	3.67	4.74	3.49

*p<0.1 **p<0.05 ***p<0.01