

# 1

## **Social Forces and History**

### **Explaining Divergent Poverty and Distributional Outcomes**

**IN THE FACE OF REPEATED ECONOMIC CRISES**, the failure of market liberalization to produce sustained economic growth in many countries of the global south has eroded the widely held presumption that state intervention was at the root of the economic problems faced by these countries. Numerous authors have recognized the importance of state leadership in the high rates of economic growth achieved by the Asian NICs (newly industrializing countries): South Korea, Taiwan, Hong Kong, and Singapore (Evans 1995; Haggard 1990; Kohli 2004; Wade 1990). At the same time, backed by a rising chorus of criticism from civil society and labor organizations, scholarly and official circles have shown increasing concern about the perpetuation of widespread poverty and evidence of persisting or increasing levels of inequality. By the year 2000, poverty had become a major ethical, political, and economic issue. In that year, the U.N. General Assembly adopted the Millennium Development Goals, which, among other things, included the objective of reducing absolute poverty by one-half by the year 2015. The impact of the recent global financial crisis on the fragile economies of the global south has generated even more interest in such issues.

Mounting unease about the economic and political impact of high levels of intracountry inequality has replaced the early assumption that inequality was inevitable in the early stages of development. Conventional wisdom accepted the Kuznetsian prediction that, while inequality would rise during the early phase of modernization, it would subsequently decline as the labor force in the industrial sector expanded and as industry

absorbed labor. At that point, large numbers of people would benefit (Kuznets 1955). Although debate on the issue continues, a number of observers argue that the failure of inequality to diminish in many global south countries is likely an important factor inhibiting the economic growth that is essential for job creation and poverty reduction (Cornia, Addison, and Kiiski 2004, 26, 42–43; de Ferranti et al. 2004, 25; López 2004; Midgley 1987, 38). In addition to raising the risk of civil conflict, high levels of inequality also contribute to rent seeking and predatory and criminal behavior (Fajnzylber, Lederman, and Loayza 1998; Nafziger and Avinen 2002; Wade 2004). Evidence that southern countries have generally higher levels of inequality than the industrialized nations and that inequality increased in many of them over the last quarter of the twentieth century is particularly worrisome (Betcherman 2002, 13; Cornia et al., 2004).<sup>1</sup> Understanding how inequality becomes established and entrenched is, therefore, of compelling importance.

### Poverty, Inequality, and Social Forces

Unacceptable levels of poverty and inequality in many countries of the global south raise the question of why a few countries have been relatively more successful than others have been at reducing poverty and maintaining low levels of inequality. The ability of the Asian NICs to achieve sustained economic growth while eliminating poverty and maintaining relatively low levels of inequality stands in sharp contrast to the general Latin American pattern where stagnant economic growth rates and recurrent economic crises have occurred alongside higher levels of poverty and the failure to reduce preexisting high levels of inequality. Among Latin American countries, however, Chile stands out for its ability to achieve steady levels of economic growth and dramatic poverty reduction since the late 1980s.

This study seeks to explain the distinct poverty and inequality outcomes of three countries: South Korea, Mexico, and Chile. South Korea has had historically low levels of inequality and has been the most successful at reducing poverty. Chile has reduced poverty substantially since 1987 but continues to experience high levels of inequality. Mexico, where poverty has increased since 2006, has struggled with the highest levels of poverty of our three cases and has a high level of inequality (see Tables A-1 and A-2).<sup>2</sup> In addition to these distinct outcomes, I chose these three countries due to their particular historical trajectories, which, on the sur-

face, would seem to suggest outcomes different from those that actually occurred. Prior to 1970, for example, the Mexican economic model was widely regarded as successful. Hailed as the “Mexican miracle,” steady annual per capita growth rates between 1950 and the mid-1960s made Mexico one of Latin America’s most promising NICs.<sup>3</sup> The country’s foray into market liberalization during the late 1980s and early 1990s and the signing of the North American Free Trade Agreement (NAFTA) also earned it widespread international approval. Yet advancement in social well-being has been disappointing. Until the mid-1970s, Chile fared considerably better than Mexico in poverty and inequality indicators, despite having experienced intense political turmoil and one of the slowest economic growth rates in Latin America.<sup>4</sup> Today, Chile has transformed into the “tiger” of the region with steady economic growth from the late 1980s (see Table A-5). South Korea has experienced ongoing success in maintaining both economic growth and comparatively low levels of inequality.<sup>5</sup> This achievement has occurred despite the fact that its more recent political history has begun to reflect the strong popular activism characteristic of much of Latin American history: labor militancy and unrest, political protest demanding social justice, and a much-strengthened propertied class with considerable political clout.<sup>6</sup> In the face of political developments with a potentially polarizing and disruptive impact, Korea has been able to maintain economic growth and comparatively low levels of inequality while expanding social programs.<sup>7</sup>

This work falls within the tradition of comparative historical analysis. As such, it seeks to combine a historically grounded explanation of divergent social outcomes with a causal explanation that emphasizes processes over time and contextualized comparisons (Mahoney and Rueschmeyer 2003, 6). The analysis starts from the premise that particular social structures give rise to social forces whose actions, politics, and ideologies shape institutional development. Institutions, in turn, mold social force strategies, alliances, and attitudes. Hence, whether or not strong, centralized, and efficacious state institutions develop depends on the strength or weakness and configuration of social forces. This is a premise that departs from much of the “new institutionalism” literature, a body of work, which, although admittedly extremely heterogeneous (Hall and Taylor 1996; Steinmo 2008; Thelen 1999), assumes that institutions, however defined, are the most important variable and the starting point in explaining outcome. Generally, those focusing on the role of institutions do not

acknowledge institutions as manipulated by powerful social forces to serve their interests. Indeed, proponents of institutionalism view institutions as autonomous forces producing path-dependent sequences that shape action and therefore outcome. In addition, historical institutionalism generally fails to account for the origins of institutions and for institutional change, particularly rapid and momentous change (Pierson 2004, 103). While the analysis presented in this work recognizes the impact of institutions on outcome, it shifts the focuses to social forces, recognizing that powerful social forces may create, destroy, and reconstitute institutions, altering outcome in profound ways.

In many countries of the global south, including the Latin American cases dealt with here, state institutions are weak and fragmented. Strong social forces can and do create and manipulate institutions in their own interests with important implications for distributive outcomes. The actions of social forces may contribute to the fragmentation of state institutions because, in pursuit of their interests, they pull state ministries, departments, and agencies in contrary directions. The result is often policy incoherence (Migdal 1988)—a phenomenon with potentially important implications for economic growth and poverty reduction. At the same time, of course, institutions, once established, can powerfully shape the actions of social forces through a wide variety of measures that may contribute to their mobilization or quiescence. As we shall see, the Korean state proved enormously more resistant to social penetration than the Chilean and Mexican states and, for many years, was able to contain social force pressures, a feat that allowed it to pursue an employment-generating economic growth model. While the specific factors affecting poverty and inequality outcomes vary substantially from country to country, the general approach, which begins with a consideration of the relative strength of social forces and their relation to the state formation, may provide a useful starting point in explaining social outcomes in other contexts.

The term *social forces* refers to both broadly and narrowly constituted social groups that may have either formal or informal organizational features and that have shared interests. Social forces may be social classes in the classic understanding of the term, defined by their relationship to the means of production (peasants, workers, for example), fractions of social classes, groups claiming religious or ethnic identities, or social movements. The state bureaucracy, or factions within it, and the military may come to constitute a social force. All such groups, alone or in coalitions, are capable

of acting in ways that can have a powerful impact on social outcomes. As has been recognized elsewhere (Migdal 1994, 19), the term *social class* may not be applicable in global south contexts because southern countries may not only lack sizeable working and business classes but may also display severe schisms within traditionally defined social classes. In two of the cases dealt with in this study (Mexico and South Korea), the working class is divided; in the Korean case, severely so. In Korea, this rift involves distinct social welfare visions. In all three cases, there is a sharp schism between small and medium-sized business on the one hand and big politically and economically powerful conglomerates on the other. In Mexico and Chile, profound divisions within the peasantry entailed very different rural development objectives. Hence, social class fragments can be all-important actors in distributive struggles. In addition, categories such as the military and the bureaucracy, although they *may* draw disproportionately from a particular social class, are not social classes. Social movements cannot be defined in terms of their relationship to the means of production and may draw support from a variety of social classes. In the case of Korea, social movements, acting as social forces, have had a particularly important impact on that country's social welfare regime since the 1990s.

Any statement regarding the relative strength of social forces depends heavily on one's interpretation of the particular historical, social, and political context. Often, a social force exercises power due to its control or ownership of substantial resources, whether land or other capital assets—such is the case for big business interests and big landowners. Business and landed interests, with a conscious understanding of their shared concerns, are likely to act aggressively and in highly organized ways. However, labor groups, peasantries, and social movements, although lacking the same level of resources, may also act in an organized and combative manner. Hence, a social force's effective "strength" (its ability to influence outcome) is very much shaped by the social and political context in which it operates and the condition (size, organizational capacities) of other social forces. The influence of the social force(s) with the most material resources may be mitigated by the militancy of opposing social forces (for example, an alliance of some combination of labor, the middle class, and social movements) or by state action, where the state resists or successfully dominates powerful social force(s). Often the state increases its leverage over powerful propertied interests by mobilizing support. Hence, a social force that is large in number of members, but politically quiescent,

may nevertheless affect outcome because a sympathetic political leadership recruits its support (for example, at election time).<sup>8</sup> Explaining why the state is sympathetic to some social forces and not to others is also an important question. The independence of the state may be reflective of the fact that the state itself is the locus of autonomous social forces (the military or the bureaucracy)—groups that have their own policy objectives. These intrastate social forces may have distinct histories and interests and, as a consequence, predispositions to support some social forces over others. Hence, the relationship that social forces have with states is very much a product of particular histories of state formation. States may succeed in subjugating social forces or incorporating them, or powerful social forces may thoroughly penetrate and manipulate the state (Migdal 1994, 25). When social forces penetrate the state, they may do so to different degrees and through different mechanisms. They may gain access to the state by means of a clientelistic relationship with a bureaucrat or politician, or they may secure direct representation within the state through membership in a government body. Differing degrees and modes of incorporation will have important implications for policy and distributional outcomes.

Social forces and the state are key actors in the creation and perpetuation of inequality, and inequality is, as noted, closely related to the prospects for economic growth and poverty reduction. If social forces become distinct social categories that are tightly interconnected, have shared awareness and consciousness, and interact with those outside of the group differently than with those from within, then the stage may be set for the emergence and perpetuation of a high degree of inequality. According to Tilly, whether inequality occurs and is perpetuated depends on whether repeated transactions across social categories regularly yield a disadvantage to a certain group or groups (2005, 21). Categorical inequality is based on one group's control of an important resource or resources; the most effective and enduring form of inequality occurs when one social category is able to dominate the state. The control of this all-important resource allows a social force, or a coalition of social forces, to institutionalize and therefore perpetuate inequality through building the unequal treatment of the "out" social categories into the operation of state structures. In this work, I refer to the creation of marked distinctions among social forces and the absence of deep knowledge within a group about those in other social groups as *social compartmentalization*. This phenomenon is particularly salient to this study because of the sharp categorical and social

distinctions brought about by the colonial experience in Latin America.<sup>9</sup> However, modernization also gives rise to new social forces and to new possibilities for social integration. In this context, the sequencing of events and pace of transformations are key ingredients in explaining divergent outcomes. The timing and pace of industrialization are particularly important in shaping the attitudes, the relative strength, and configuration of social forces and the prospects for societal integration and cohesion. The rapid pace of industrialization in the case of South Korea contributed to working- and middle-class concern for the maintenance of low levels of inequality, while its prolonged nature in the other two cases contributed to social compartmentalization.

The approach outlined here is rare in comparisons of the Latin American and East Asian experiences. Hence, the following section reflects selectively on some of the main points of comparison in the comparative literature on the two regions, pointing out the ways in which this study diverges from, and adds to, what we already know about the differences between the two regions.

### **Grappling with Divergent Outcomes in East Asia and Latin America**

Much of the literature comparing Latin America and East Asia has not focused specifically on poverty and equality outcomes nor considered broader contextual historical processes, including the role of social forces, as primary causal factors.<sup>10</sup> Instead, there has been much greater interest in economic growth and a predisposition to identify the different nature and role of the state as the crucial ingredients explaining East Asia's more robust and sustained economic performance. The "weaker" Latin American state, so the argument goes, has produced ineffective economic policy and low or stagnant growth, while the "strong" East Asian state has produced coherent and effective economic policy, responsible for high economic growth rates. Relatively few works have explored the historical origins of the East Asian strong state. Some have examined Japanese colonial rule and argue that it contributed to the later economic success of colonized countries through the construction of a strong colonial state that promoted technological change in rice agriculture, the expansion of the education system, and policies that stimulated industrialization (Amsden 1989, 79–80; Cumings 1987; Myers and Ching 1964). Kohli argues that Japanese colonial rule

swept away the old predatory state and carried out reforms in the civilian bureaucracy and policy that established the basis for the postcolonial state (1994, 128).<sup>11</sup> European colonial rule, on the other hand, left a legacy of weak states and contributed to social fragmentation and to the intensity of intrastate political conflict in the postcolonial period (Blanton, Mason, and Athow 2001). In the case of Latin America, colonial rule left behind a particularly rigid social structure that placed a wealthy European oligarchy in control of the economy and politics, a mixed-blood population in the middle ranks of economic and political power, and a poor and powerless indigenous population at the bottom. This situation made nation building and state formation very difficult and often protracted tasks.<sup>12</sup> Hence, colonial rule shaped the configuration of social forces with profound implications for state formation and state strength.

However, colonial rule was but the first step and was one of a number of influences, shaping social forces and political institutional outcomes. In fact, in the immediate aftermath of independence from Japan, the Korean state between 1945 and 1961 shared a variety of features with its Latin American counterparts, including the fact that it was heavily penetrated by private interests and apparently incapable of producing a coherent and effective economic program. Yet, as we shall see, South Korea successfully produced a strong state by the mid-1960s. Furthermore, while Mexico and Chile shared a history of Spanish conquest and colonialism, their twentieth-century achievements in poverty reduction, as noted, are substantially different. This study demonstrates that, while colonial experience marks an important starting point, the postcolonial evolution of social forces and their impact on state formation and capacity have weighed heavily on outcomes.

Land redistribution—extensive in East Asia and insufficient or non-existent in Latin America—is frequently cited as one of the main variables explaining their distinct experiences in industrial growth and equitable social outcomes (Haggard 1990, 236–238; Kay 2006; Morley 2001, 64; Sen 2000, 45). There is clearly a strong relationship among land redistribution, economic growth, and poverty reduction over the long term. This link is due to the greater incentive to farmer productivity that occurs when producers work their own land rather than work for a landowner on large holdings. Land redistribution is also important because it eliminates unproductive landowners and allows more dynamic producers to improve agricultural productivity through modernization (Birdsall and Londoño 1997; Cornia et al. 2004, 50; Deininger and Squire 1998). Furthermore,



government support of rural dwellers, in the form of credit and technical support, is crucial to the achievement of good social outcomes because such support makes possible the healthy levels of agricultural production required to feed the growing labor force as economic growth and industrialization continue. I use the term *land reform* in this work to refer to those transformations involving both land redistribution and state support (credit, technical support) to land redistribution beneficiaries. In Latin America, the absence of land reform, combined with insufficient educational opportunities, particularly for the rural poor, has further aggravated poverty and inequality. While Latin American governments focused educational spending on urban centers and squeezed rural incomes to support industrialization, the Asian cases involved more equitable educational opportunities for rural dwellers.

While the general observation that land reform was important in securing equitable development and poverty reduction in East Asia is an important one, substantial land redistribution did occur in some Latin American countries, including in Mexico and Chile. Kay makes the important observation that land redistribution in East Asia had the equality-enhancing impact it did because it occurred early in the history of industrialization (2006). However, we need to explain why land reform was earlier, more complete, and more sustaining in Korea than in Chile and Mexico. For the most part, the answer lies in an examination of social forces—in particular in a consideration of levels of peasant mobilization and sources of resistance from powerful social forces and their allies.<sup>13</sup>

The East Asian state has demonstrated greater bureaucratic capacity and the ability to engender cooperation with state policy on the part of its private sector. Korea's trained bureaucrats, for example, were able to devise and implement effective economic policies that stimulated the growth of new industrial activities, expand exports and export earnings, and keep the fiscal deficit in check, while collecting taxes sufficient to cover state expenditures. In a by now classic formulation, Peter Evans speaks of the autonomy of the "developmental" state as embedded in a concrete set of social ties that provide institutionalized channels for the continual negotiation and renegotiation of goals and policies with the private sector—an arrangement that secured the sector's cooperation (Evans 1995, 12). While this "embedded autonomy" is a feature of the East Asian states, Latin American countries either lack the feature, or it is only partially present; hence Latin American states are less capable of policy coordination and

are prone to personalistic solutions. However, Silva (2006, 106, 108) has challenged this argument in the case of Chile. He argues that, since 1983, Chile has had many of the features of East Asian states, such as state strength and an effective state bureaucracy with embedded autonomy in state–private sector relations. Others have dealt with the differences in the quality of state intervention with attention to the corrosive impact of rent-seeking behavior on bureaucratic capability, development policy, and social outcomes in Latin America (Boyd 2006; Cho 1997). Once again, however, a full understanding of state capacity or weakness requires an exploration of what historical circumstances molded the relations between states and social forces. This study finds that a historical moment of weak social forces allowed the emergence of a strong state in Korea, capable of leading industrial growth and employment expansion with low inequality, while strong social forces represented an obstacle to state efficacy in Mexico and Chile. Furthermore, embeddedness fails to capture the coercive capability of the Korean state. Nor does it convey the limitations of the Chilean state, which, although much strengthened in the past two decades, is able to encourage but not *ensure* private sector cooperation. While all countries are restricted in their policy options by the surge of international regulations governing trade and investment stemming from various World Trade Organization (WTO) Agreements, the Korean state stands out for its ability to continue stimulating export-led growth that is employment generating.<sup>14</sup>

Closely linked to bureaucratic capacity is the issue of policy choice—particularly the choice of an export-oriented industrial strategy. The often-made observation is that the East Asian choice of an export-oriented industrial strategy that was labor intensive and produced a sustained upward swing in employment was instrumental in reducing poverty. Further, in the Korean case, when demand for light industrial products began to decline, the state was able to shift its industrial strategy to ensure the maintenance of economic growth and employment growth. Observers typically contrast this experience with Latin America’s less effective import substitution industrialization, which focused on producing primarily for the domestic market, a strategy that ran into serious difficulties when foreign exchange earnings from volatile primary product exports fell (Haggard 1990, 3; Ludovic 2003, 478).<sup>15</sup> Industrial growth subsequently ground to a halt because of its dependence on imported machinery and inputs, and companies laid off workers. Moreover, heavy protection in Latin

America produced an inefficient industrial sector that could not expand into export markets once domestic production fully supplied the domestic market. However, Mexico has become a successful manufacturing export economy with 67 percent of its exports accounted for by manufactures by 2008 (see Table A-11), although, as noted, this success has coincided with a high level of inequality and a persistent and relatively high level of poverty. Chile's export-led strategy, initiated in the mid-1980s and focusing largely on nontraditional agricultural exports, has been much more effective at employment generation and poverty reduction. Clearly, South Korea's industrial strategy was by far the most effective in generating employment. Essential to understanding these differences in policy outcome is a grasp of the historical evolution of social forces, their social and political attitudes and interests, and the ways in which different social force configurations affected the state and the specific aspects of industrial policy.

Cultural explanations—the difference between Confucian values and Iberian Catholic ones—have also been considered as important by a variety of observers. One difficulty is that there is no consensus among Korean experts on the developmental impact of Confucianism. There are those who argue that Confucianism, insofar as it posits mutual support among family members, discourages the state from assuming public responsibility for the well-being of the population and therefore is counterproductive to good social outcomes once modernization is underway (Woo 2004, 5). However, others point to Confucian values as supporting the ongoing concern for equity and human welfare on the part of the state. This perspective views the “Confucian state,” as grounded in benevolence because it is an extension of the family (Lee 1997, 119). The role of the state, therefore, is to build a community of plenty and care for the everyday needs of all people because the ethical life is possible only for people who have achieved freedom from socioeconomic misery (B. Kim 2000, 65).

A large body of literature on Latin America deals with the impact of Iberian Catholic values. Some of this literature sees such values, because of their hierarchical nature, as counterproductive to economic growth, social improvements, and greater equality (Harrison 1998; Lipset 1967). Observers see Iberian Catholic values as deeply embedded in unequal social and power structures. Elite adherence to the nineteenth-century philosophy of positivism, a philosophy that identified the key to development as the application of Western science through the economic leadership of a Europeanized modern business class of bankers and industrialists, was inclined

(as in the Mexican case) to denigrate the indigenous population and exclude it from development. At the same time, however, values are mutable. The rise of liberation theology within Roman Catholicism is a testament to the capacity of Catholic “values” to change and to the possibility that a hitherto wholly conservative Church could produce a theology that questioned hierarchy and social injustice. Similarly, traditional Iberian Catholic business attitudes, such as aversion to risk taking and a propensity to appoint close family members rather than the highly trained individuals, diminish once the opportunity structure changes (Cardoso 1972).

I take the position that, while cultural values may be relevant explanatory variables, they are powerfully shaped by historical structural realities and evolve with socioeconomic changes. Hence, I do not treat them as causal factors independent of the historical evolution of social forces and state formation. Larger structural conditions create the context shaping which ideas will survive, strengthen, or diminish. In fact, this is largely an interactive process in which it is difficult to separate cultural norms from societal practices and social forces.

### **The Context: Geopolitics and the International Political Economy**

External factors—geopolitics, U.S. foreign policy, and the operation of international political economy—have often been cited as key factors shaping the different outcomes in Latin America and East Asia (Chase-Dunn 1987, 290; Deyo 1987, 232; Haggard 1990; Kong 2000, 151). Until 1985, U.S. policy toward East Asia was governed by its concern with issues of national security and the containment of communism. The East Asian countries not only benefited from high levels of U.S. aid but also had considerable maneuverability in mitigating U.S. pressure and in diverging from U.S. wishes (Ick-jin 2006, 57; Woo 1991, 4–8; 45–48). Hence, because the United States saw Korea not as a potential market and investment opportunity but as the front line for containing communism, U.S. policy advice and pressures tended toward a pragmatism that tolerated an activist economic role for the state and excused otherwise unacceptable policy choices as long as the overall result satisfied security concerns. Meanwhile, Latin American countries have been subject to greater U.S. interference and more direct forms of investment pressure. Furthermore, in the Asian cases, the United States did not ally itself with traditional landed

elites, and it supported thorough land redistribution, perceived as necessary to secure popular support against communism. In Latin America, on the other hand, where the U.S. economic interests were supreme, alliance with traditional landed elites was common, as was U.S. intervention, including military intervention, carried out to secure the overthrow of political leaderships seeking land redistribution and other measures threatening private property.<sup>16</sup> U.S. involvement in the overthrow of the Chilean socialist government of Salvador Allende in 1973 (Petras and Morley 1975, 79–118, 134), a regime in the process of carrying out land reform at the time along with other redistributive measures, is an example of intervention that bolstered conservative and propertied forces, thereby reinforcing poor social outcomes. Finally, the ongoing threat from communist North Korea was instrumental in cementing a strong South Korean commitment to make capitalism work in a way that would reduce poverty and keep inequality low. Doing so would mitigate social unrest and reduce the appeal of Communism (Kong 2000, 117). In short, the differing impact of geopolitics in the two regions has had very different consequences. In South Korea, the threat from communist North Korea and U.S. geopolitical concerns was conducive to an equitable outcome and successful export-oriented economic growth.

The international economy is also instrumental in shaping the success or failure of chosen economic and development strategies. As East Asia turned to the production of light consumer goods for export in the 1960s, it faced an expanding world market (Deyo 1987, 227). The Vietnam War gave an important impulse to South Korea's efforts to support the development of its heavy and chemical industrial sector (Woo 1991, 85), and improvements in the country's terms of trade contributed to the country's rapid recovery from the 1981 economic crisis. On the other hand, in the early 1970s, an inhospitable world economy contributed to Mexico's inability to pursue redistributive measures, while the dramatic drop in petroleum prices through the first half of the 1980s was an important ingredient in the depth of the country's economic downturn and to the rise of poverty.

However, we need to account for the redistributive features of the economic strategies chosen and for the ability and willingness of some states to exercise whatever leverage they have in the international realm in ways conducive to equitable and poverty-reducing outcomes. Social force configuration, state formation, and politics are instrumental in the formulation

of economic policy and the extent to which policymakers contemplate social outcome. Furthermore, states may win or lose international market opportunities or may grasp them in different ways with distinct redistributive outcomes. A particular social force configuration may be conducive to adaptability in the face of international opportunities, while a different configuration may foster constraints in grasping opportunity.

### Social Forces, Regime Type, and Social Outcome

There are two key ingredients shaping poverty and equality outcomes: economic growth and state-orchestrated redistributive measures. Economic growth, in providing employment opportunities, lifts people out of poverty and will be especially equality enhancing if, over the long term, employment opportunities are well remunerated. State redistributive measures, involving progressive taxation and social spending, are important for both poverty and inequality reduction. Income transfers, of course, are by themselves poverty and inequality reducing. Progressive spending on health care and education is particularly important because it provides opportunity for upward mobility to the more disadvantaged members of the population. Hence, poverty and inequality are not simply matters of income level; they are also inextricably linked to equitable access to health care and education. Disease due to lack of access to health care may thrust a household into poverty. Furthermore, inequality in wealth has a tendency to magnify all other disparities because, as Sen points out, it creates sharp differences in opportunities owing to a variety of non-income-related handicaps (2000, 119). Hence, employment-generating economic growth and equitable access to health care and education appear to be essential ingredients in reducing poverty and inequality. Economic growth and redistributive measures are closely linked because economic growth generates the revenue that makes redistribution possible.<sup>17</sup> However, the mix between these two elements is highly variable, particularly in the global south.

There is a long-standing debate about regime type (whether democratic or authoritarian) and its relevancy for the achievement of good human development indicators. The distinct features of the three cases amply illustrate the variable impact of regime type on social inequality and poverty. South Korea achieved rapid egalitarian economic growth under a military regime, which vacillated from soft to hard (repressive) authoritarianism between 1961 and 1979. Following its transition to electoral

democracy in the late 1980s, the country has continued to maintain steady economic growth, low poverty, and relatively low levels of inequality, but more recently with expanded social welfare provisioning. Chile achieved social improvement through social welfare expansion, with slow economic growth, under a highly competitive electoral democracy between 1938 and 1973, but the country witnessed a sharp increase in poverty and inequality under military rule (1973–1989). However, improvement in poverty levels, with steady economic growth, began in 1987. This achievement has accelerated under electoral democracy from 1990 on, a period that combines healthy economic growth rates with an increase in social protection. Mexico experienced healthy growth rates, only a slow reduction of poverty, and a rise of inequality under an authoritarian one-party regime that lasted until 2000. Since then, its electoral democracy has witnessed slow economic growth and comparatively high levels of poverty and inequality.

Most of the literature dealing with socioeconomic equality and democracy makes a strong case for a close link between the two. For the most part, this literature assumes the efficacy of electoral processes and party competition and the ability of social forces to work through these institutions to achieve redistributive gains.<sup>18</sup> Capitalist growth, according to this argument, produces a social structure amenable to democracy and, eventually, to improved social outcomes because of pluralist political activity and elections. Capitalist growth gives rise to new social forces (whether workers or middle class) who push for redistributive measures (Huber and Stephens 2001, 9–10; Lipset and Lakin 2004, 100). Those examining the welfare regimes in the global south have made the case that democracy is more likely to produce greater responsiveness to the poor (Haggard and Kaufman 2008, 362) and is associated with a decline in infant mortality because it is conducive to state-provided basic social services (McGuire 2010, 63). Sen (2000) draws our attention to the fact that no democracy has ever experienced a famine, arguing that democracy and political rights can help prevent humanitarian disasters because democratic governments have to face elections and public criticism. The Korean case, however, might seem to suggest the efficacy of authoritarianism (even military rule) in achieving economic growth and good social outcomes. Indeed, authoritarianism might be conducive to economic growth and improved social conditions over the long run because the authoritarian state can resist public pressure and is therefore better able to direct resources into investment rather than to consumption (Haggard 1990, 262).