

Who gets what? The political economy of redistribution

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The [World Social Report 2020: Inequality in a Rapidly Changing World](#) recognises that mobilizing support for policies to promote greater equality can be difficult. However, it also points to pathways for political action to reduce inequality (United Nations, 2020). This brief explores the barriers to redistribution and how Governments can create an enabling environment for equitable change.

Barriers to redistribution

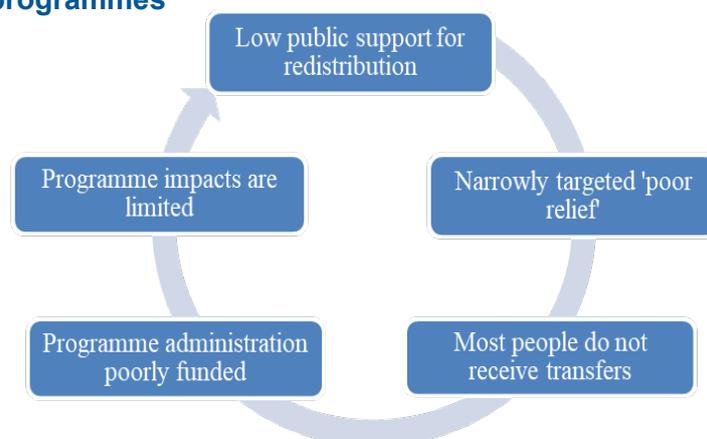
Inequality is a major concern. In 2014, 60 per cent of survey respondents across 44 developed and developing countries, agreed that “the gap between the rich and poor is a very big problem” facing their countries (Pew Research Center, 2014). Rising inequalities can lead to a concentration of political influence by wealthy individuals, groups or corporations. Opposition by powerful groups to greater redistribution make reducing inequality difficult, creating a cycle of concentrated wealth and political power. These groups are better able to affect policy by lobbying politicians, mobilizing peers to block measures or influencing public perceptions of redistributive policies. For example, those who may gain or lose from reform may be characterized in particular ways, such as the “undeserving poor” and the “job-creating wealthy”, which can be used to influence public opinions.

Even with general support for greater redistribution, specific policies to reduce inequality may struggle to get off the ground. Taxation rarely enjoys universal popularity, even more so when taxes and transfers fail to reduce inequality – as has been the case in many developed countries in recent years.

Crucially, budgets for redistributive government programmes such as child benefits or social pensions are not fixed and are partly contingent on public support. Policies targeting those living in poverty for example, may be perceived as

charity or “poor relief” rather than a protection to be enjoyed by all. This may negatively impact a programme’s budget if policymakers perceive a lack of widespread support from the programme – making it less of a spending priority. This can further reduce coverage, restrict benefits and negatively impact administrative quality. For this reason, “programmes targeted at the poor will most likely be poor programmes”.¹ If targeted redistributive efforts gain a reputation for being poorly administered or only for those at the margins of society, public support for broader redistributive efforts may be undermined (see figure 1).

Figure 1: Programmes for the poor become poor programmes



Some redistributive policies may also be seen as an expression of corrupt or clientelist politics, especially if poverty is concentrated in certain areas or among certain social groups. In India, before their replacement by national programmes, state-level social assistance schemes were often used by local politicians to target agricultural workers in exchange for votes. This type of clientelism can undermine democracy as well as build resentment among those not targeted for assistance. On average, across 21 high- and middle-income countries, two-thirds of respondents feel that many people receive public benefits without deserving them (OECD, 2018).

¹ This phrase is widely used but appears to originate from Wilbur Cohen in a debate with Milton Friedman about the Social Security programme in the US.



People can also oppose changes that would in fact benefit them, due to lack of information. In Bolivia for example, massive public protests followed the introduction of a progressive personal income tax in 2003. The Government had not provided enough information on the distributional consequences of the new tax – a flat rate of 12.5 per cent on income exceeding a fixed threshold. Individuals from some professional occupations believed they would bear the largest costs of the reform, even though their salaries would have been exempt under the proposed tax.

Some groups may opt out of voting in elections altogether, if they feel politicians have consistently failed to deliver on their commitments to promote equality. If those who might otherwise push for greater redistribution, such as middle- and lower-income groups, become disengaged with politics, the prospects of equitable reform become even slimmer.

An enabling environment for equitable change

So why do countries address inequality, despite these challenges? In today's developed countries, the creation of political coalitions among different social groups based on their own interest were central to implementing redistributive policies. A desire to avoid social, economic and political instability on the part of the elite has been a motivator for curtailing inequality. In 19th century England and Wales for example, the first poverty reduction programmes were supported by the wealthy to keep cheap labour in rural areas. Against the backdrop of the French Revolution, elites feared organized revolts in cities. In other countries, an altered political landscape forced elites to attract the support of other groups to govern effectively.

Industrialization and democratization increased the relative size and political influence of the middle class in many European countries during the 19th and early 20th centuries, intensifying pressure for public services and social protection that were more inclusive. In South Korea, middle class pressure contributed to democratization and greater redistribution in the mid-20th century.

Governments can support these processes by removing barriers for participation of historically marginalized groups in political processes – for example through extension of voting rights or direct representation in legislative assemblies. Even if limited at first, new voices help to create momentum for further change and encourage elites to broaden the benefits

of reform. This in turn can grant legitimacy to state actions and support for further public provision in key areas.

Social movements, such as trade unions or cooperatives, have also historically played a key role in balancing the political power of established business interests and political elites. In Western Europe, trade unions have founded, funded and supported political parties with large effects on public policy and on the extent of taxation and income redistribution. Recent research suggests the decline in trade union coverage, as well as overall membership, is a contributing factor in rising inequality in many developed countries.

Conclusion

Changing the distribution of income and wealth also affects the balance of power in a society. It is politically charged, highly contested and dependent on local circumstances. While equitable reform has often emerged from broad societal shifts, there is also a role for Government in creating an enabling environment for change. This includes removing barriers to broad participation in the political process, as well as encouraging civil society and social movements that may push for greater equality.

References

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