

Social Inequality and Social Conflict over Democracy and the Market in the New Market Democracies of Central and Eastern Europe

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Social inequality and social conflict

- Markets and democracy are in different ways allocative systems and are likely to produce contestation over distributive outcomes that may amplify or reduce the possibilities of social conflict.
- Given their distributive consequences, markets and democracies may well generate more contestation over outcomes when economic and political differences between citizens are larger.
- For new democracies and market economies, where social inequality has often risen dramatically, does social inequality lead citizens to go beyond concerns about specific allocative issues to question democracy and markets as allocative *systems*?
- Or to desire governance changes that may be incompatible with democracy?

Inequality and social conflict

- Economic: at *equal* levels of GDP, differences in the distribution of income and other goods do increase or reduce the absolute share of resources available to individuals. In many CEE countries increases in inequality actually coincided with *declines* in GDP, at least for the early years of the transition. Those doing less well in absolute terms, and perhaps particularly, those doing less well than they did previously, in absolute and/or relative terms, may well be more likely to contest such outcomes and to link them to markets and democracy per se
- Normative: levels of social inequality may offend against powerful social norms about appropriate distribution. Where norms are offended, therefore, expectations of social conflict may increase in part because political emotions and more difficult to settle issues of principle may be engaged.

Democracy and the market

- Market and democratic allocative processes because they have the potential at least to reward a different set of winners and therefore produce quite different expectations about whether democracy and the market may generate social conflict.
- Mass democracy is often seen as a means by which the economic losers from market allocation can use their votes to produce majorities that will implement policies to mitigate the effects of the market through tax and welfare measures
- Markets and democracy may be equally generative of expectations of social conflict in similar parts of the population or produce quite different expectations in different sub-groups depending on who the relative winners and losers in each sphere might be.

Hypotheses

- **H1a.** Higher objective levels of social inequality increase the likelihood that people perceive that markets and democracy generate social conflict.
- **H1b.** Greater levels of change in levels of social inequality increase the likelihood that people perceive that markets and democracy generate social conflict.
- **H2.** Perceptions of excessive social inequality, controlling for ideological beliefs, increase the likelihood that people perceive that markets and democracy generate social conflict
- **H3.** Expectations that markets generate social conflict are significantly more associated with objective and subjective estimates of social inequality than are expectations that democracy generates social inequality.
- **H4.** Perceptions of excessive social inequality, controlling for ideological beliefs, increase the likelihood that citizens desire strong government but not that they desire anti-democratic leaders.

Measures of social conflict and governance changes

- Democracies are a good means of solving social conflicts.
- Market economies lead to more social conflict.
- Additionally: Desire for government with a 'strong hand' to resolve *economic* problems; and for an *anti-democratic* leader who could solve the country's problems.

We do find evidence of market and democracy driven conflict and of desire for strong leadership

| Country | Democracy: Social Conflict | Market: Social Conflict | Economic Strong Hand | Leader if no Democracy |
|-----------|-------------------------------|----------------------------|-------------------------|---------------------------|
| Bulgaria | 3.10 | 3.63 | 4.22 | 3.53 |
| Czech Rep | 3.33 | 3.56 | 3.39 | 2.27 |
| Estonia | 3.49 | 3.33 | 3.42 | 2.80 |
| Hungary | 3.25 | 3.74 | 4.29 | 3.21 |
| Latvia | 3.38 | 3.41 | 4.01 | 3.15 |
| Lithuania | 3.51 | 3.20 | 3.79 | 3.18 |
| Moldova | 3.41 | 3.16 | 3.80 | 3.22 |
| Poland | 3.62 | 3.41 | 3.76 | 2.84 |
| Romania | 3.29 | 3.41 | 4.01 | 2.93 |
| Russia | 3.17 | 3.37 | 3.83 | 3.35 |
| Slovakia | 3.37 | 3.45 | 2.73 | 2.41 |
| Ukraine | 3.31 | 3.53 | 4.13 | 2.57 |

Weak relationships of country inequality measures to conflict expectations

| | Democracy and Social Conflict | Market and Social Conflict | <i>After regression</i> | Democracy and Social Conflict | Market and Social Conflict |
|---|-------------------------------|----------------------------|-------------------------|-------------------------------|----------------------------|
| Income inequality (GINI) | $r=0.26$ | $r=-0.63^*$ | | $r=0.26,$ | $r=-0.33$ |
| Change in inequality over time (2002-7) | $r=0.38$ | $r=0.37$ | | $r=0.19$ | $r=0.33$ |

Social inequality increases expectations of market conflict but not democratic conflict

| beta (s.e.) | Democracy conflict | Market conflict | Economic Strong Hand | No Democracy |
|----------------------|-----------------------|--------------------|-------------------------|-----------------|
| Social Inequality | -0.03 (0.02) | 0.19*** (0.02) | 0.14*** (0.02) | 0.02 (0.02) |

- Full Models controlling for SES, Political and Economic Ideals and Experiences, Social Location, country dummy variables.

Conclusions

- Perceptions of social inequality play a very limited part in generating expectations of democratic conflict. Rather, so far as democracy is concerned, anti-democratic and anti-market sentiments and experiences drive expectations of conflict.
- In the case of market driven conflict, however, even taking into account citizens' views of democracy and the market, views of social inequality play the largest role in generating expectations.
- Those who want anti-democratic leadership are also those who don't like democracy in principle; those who want economic governance with a strong hand, by contrast, are likely to be people who also see excessive social inequality.
- Democracy, in other words, may not mitigate concerns about the social impact of unequal distribution in citizens' eyes but it does not magnify them. Markets, by contrast, appear to increase expectations of social conflict when people also see excessive inequality.