The Political Consequences Of Rising Economic Inequality

Economic inequality has been a major subject of discussion over the past few years, by academic circles, political spheres and the popular press. Kulkarni and Matin-Bekat (2009) suggest that as inequality applied to income and economic inequality, is a very complex issue; economists, sociologists, and political scientists are only a few of the concerned with economic inequality. What is spoken and mainly the biggest concern is the ever growing gap between the rich and the poor that has the potential to cause serious political consequences in many countries around the world. Among these consequences, includes how economic inequality puts in jeopardy democratic governments and how as economic inequality increases democratic support decreases in the population. This paper will discuss three major political consequences associated with economic inequality: negative political consequences, public dissatisfaction with the democratic process and redistributive preferences and, at the same time, this paper will incorporate empirical evidence in comparing economic inequality in two countries: Brazil and South Africa.

Economic equality can be described as differences in economic distribution among a particular population in terms of wealth, pay, and income. Basically the wealthy getting wealthier, while the impoverished keep getting poorer. A person's economic position in society can be determined by a wide range of factors including; educational background, gender, ethnic background, existing economic policies, or physical disability. The uneven distribution of wealth and income increases the gap between the rich and the poor leading to income disparity among individuals and households. Political economy theory suggests that democracy is a mechanism for redistributing resources from economic elites to poor citizens and that citizens will therefore desire democracy more strongly in a country with more economic inequality. However, as the economic inequality increases the democratic support decreases. Dahl states that democracy's inability to address persistent economic inequalities leads to ''resentments and frustrations which weaken allegiance to the regime''. As cited on Krieckhaus (2013), Karl argues that economic inequality vitiated popular control over Latin American government; economic ''elites have bent laws to their bidding, enfeebled courts, violated rights, corrupted politicians, and run roughshod over constitutions and contracts''. High inequality also led the masses to withdraw their support from democratic governance in Brazil. In evidence, Brazil has had a long period of socialistic rulers, since the 80s decade to the present day. Cordova and Seligson (2010) provide quantitative evidence that income inequality reduces democratic support in Latin America and the Caribbean. Krieckhaus (2013) states that citizens living in countries with higher national economic inequality will profess less support for democracy than citizens living in countries with lower national economic inequality.

Economic inequality has led to political polarization within political parties. Political polarization occurs when there are ideological differences among mass public, political parties, and politicians leading to political conflict. Meaning as well, the division of a nation, with two completely different perspectives politically speaking that cause constant tension among the population. For instance, Souza and Medeiros (2015) argue that low income earners might vote homogenously as a form of protest against the existing economic inequalities. Economic inequality is a threat to democratic success and stability in Brazil and South Africa. Citizens have to support democracy for it to thrive and this cannot take place when there is unequal distribution of economic opportunities and resources. The winner-loser gap must be as narrow as possible for citizens to endorse democracy.

Also economic inequality encourages redistributive preferences among citizens. The poor tend to have more support for redistribution as compared to the rich. As Giliomee suggests, both Brazil and South Africa progress towards a democracy has occurred in the form of compromises by contending elites unable to impose their will unilaterally. In to two countries, the new structures called 'new democracies' by Weffort as cited in Giliomee entail the blending of democratic institutions with those from a recent authoritarian past. The key question in both continents is whether actors in such 'hybrid situations' will regard these compromises with the past as a potential liability for democracy or as a potential strength. Finally, the socioeconomic inequalities between the richest 10 percent and the poorest 50 percent are about on the same level in South Africa and Brazil.

The failed attempt to substantially improve severe poverty and reduce inequalities puts democratic consolidation in serious jeopardy. As cited in Giliomee, Weffort argues that it is not possible to consolidate a political democracy if there is a contradiction between an institutional system based on the political equality of citizens and a society characterized by extreme inequalities or a process of growing social and economic inequalities.

Brazil and South Africa are still considered as some of the most unequal countries in the world when it comes to economic inequality. The difference between what is earned by these countries' "high class" is simply preposterous in comparison to what a "lower class" can get out of their wages, if they are even employed. Even though both countries have over the years come up with some of the most ambitious social policies in the world, the issue does not seem to change. This situation seems to be closely tied up to corruption rates in these countries. Plans in paper might be sustainable but in reality are completely utopic due to bad management of resources and regulations. According to Brazil's freedom house reports, individuals do not enjoy equality of opportunity and freedom from economic exploitation. Slavery-like working conditions pose a significant problem in rural, and increasingly urban zones. A constitutional amendment in 2012 allows the government to confiscate all property of landholders found to be using slave labor.

However, under President Temer, the Ministry of Labor and Social Security in October 2017 announced it would not continue automatically making public its “dirty list” of employers who subject workers to abusive conditions. The ministry also altered its internal definition of “slave-like conditions” to a more limited set of conditions that focus on freedom of mobility. Regarding the freedom house reports in South Africa, inequality levels in this country are among the highest in the world. Only a small percentage of the population benefits from large state industries and the economy is controlled by a relatively small number of people belonging to the political and business elite.

Recent studies indicate that the level of economic inequality in South Africa is still high after close to two decades of democratization. South Africa lacks the social requisites associated with the consolidation of liberal democracies: broad-based economic development and national homogeneity. An orthodox liberal democracy is an unlikely outcome of the power struggle in which the country was engaged for most of the 1990s. Therefore complicating even more economic equality, making it still nonviable in this country. Giliomee argues that the most important fact in South African history is that from 1700 to 1960 the proportion of whites to the overall population of South Africa was always sufficient to man all the strategic positions in the political, economic, and administrative systems of the country. Whites owned almost all the land, did all the skilled and most of the semiskilled jobs in the mines and factories, and staffed the top and medium-level positions in the civil service, army, and police. Unlike Brazil, South Africa never needed to produce a relatively free and more privileged mulatto class to occupy the intermediate positions in the economy, thus forming a bridge between the poor and the rich, and between blacks and whites. It was not only until 1985 that the proportion of white population had dropped a fifteen percent making it impossible to monopolize all the economic positions and leading to the rise of the apartheid and the start of a democratization.

Similarly, economic inequality levels are still high in Brazil despite the fact that the country has been experiencing an economic boom in recent years. In fact, Brazil is considered as one of the richest countries in the world but its level of inequality is puzzling. Simon Kuznets (1955) points out that economic growth is rarely distributed equally, in fact, economic growth initially leads to higher income inequality, as some sectors grow faster and some do not grow at all. Only after some time of stable economical growth is that the inequality starts to decline. Broadly speaking the economic impact of inequality is widespread and considerable. It affects the demand structure of the lower and middle class. If the lowest class is constantly at a state of subsistence, lacks access to education, healthcare, social security benefits and has no political influence they will remain in poverty unable to consume higher percentage of goods and services. According to Gottschalk and Justino, 'decreases in income inequality imply a wealthier middle class, and also a larger middle class by those coming out of the poorer clases, which are the most significant consumers of manufactured goods.' Kulkarni and Matin-Bekat (2009) state that the saving rate is significantly affected at low incomes. According to the Harrod-Domer

Model of Economic Growth, the availability of saving is the key to economic growth. A lower the saving rate results in less money available for investment therefore yielding a lower rate of growth. The creation of the larger middleclass will also increase the saving rate. In general, improved opportunities for the poor in the form of reduced income inequality will lead to a higher volume of consumption thereby expanding the internal market, a higher savings rate, and ultimately a better position for economic growth. Brazil’s economic gap has in the recent past narrowed slightly while that of South Africa continues to grow based on the income inequality index. Brazil has done considerably well when it comes to increasing the minimum wage, and this means that low income earners have considerable buying power. On the other hand, Gelb (2004) argues that the unemployment rate has been on rise in South Africa as a result of the government’s economic policies that have made the country lose salaried jobs. So technically if we take into account Kuznets theory, South African economy has to flourish in order for economic inequality to keep increasing, so after that process it can start to finally drop.

Economic inequality in Brazil and South Africa has led to negative political repercussions such as political polarization, public dissatisfaction with the democratic process and redistributive preferences among the poor. Economic inequality levels are still relatively high in South Africa when compared to Brazil. We can conclude the gap among each country’s population can as a whole affect democracy to a certain extent. A possible resolution for this can be that Governments implement economic policies that will help narrow the gap between the rich and the poor in order to achieve political stability and democratic success.