

Horizontal Inequality and Policy Implications

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Horizontal Inequality and Policy Implications

- What inequalities?
- Why do we need to tackle them?
- How?
 - Direct policies
 - Indirect policies
 - Integrationist policies
- Successful examples

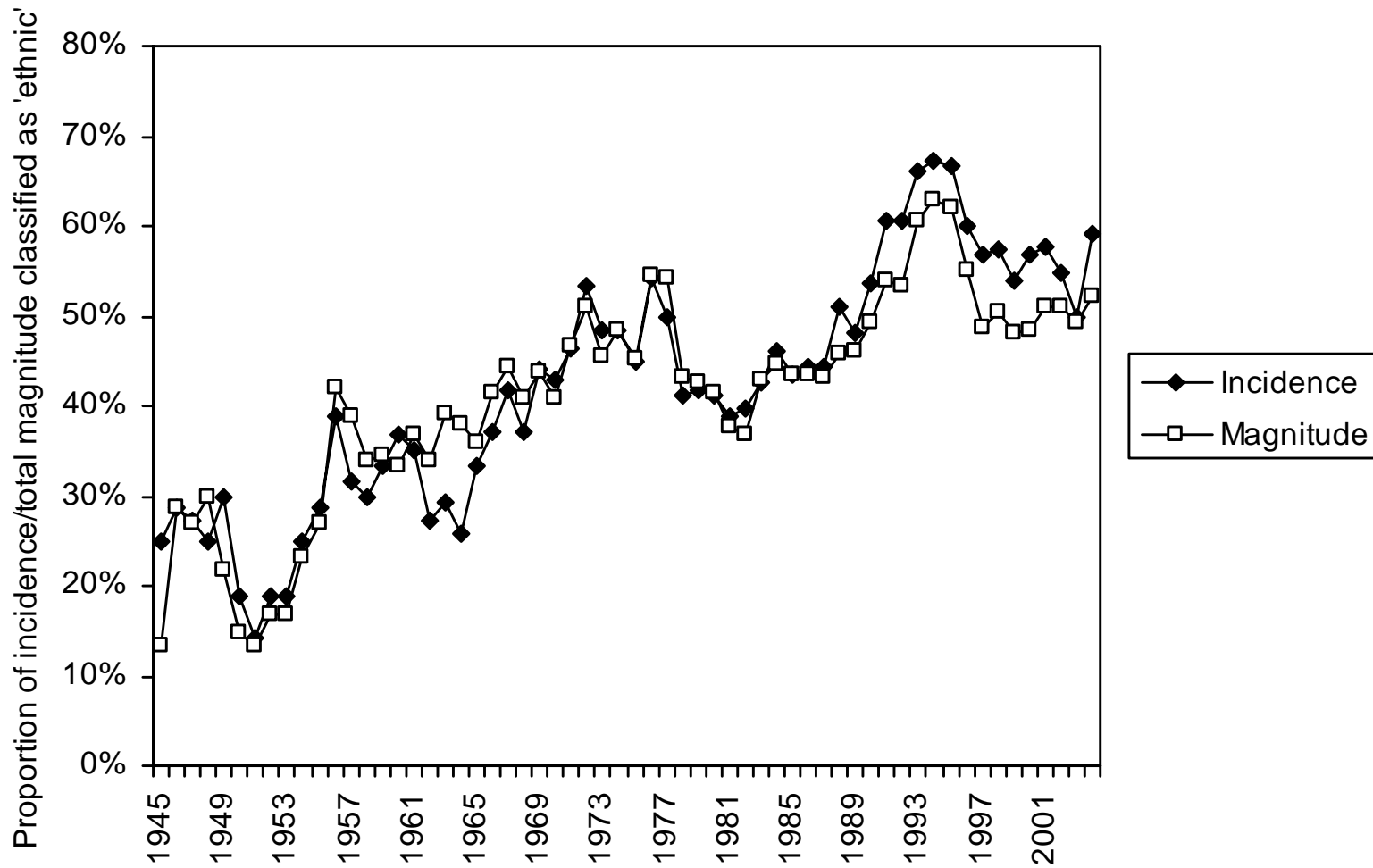
Inequalities between groups: horizontal inequalities

- Horizontal inequalities – to be distinguished from normal (vertical) inequality.
- HIs multidimensional: political, economic, social and cultural dimensions.
- Identity groups which are important to their members and which form the basis of discrimination.
- Which groups - race/region/ethnicity/religion. Socially constructed yet 'real' to people in and outside them.
- Relevant groups vary across societies and time

Why are HIs important?

- Important aspect of well-being of members. Being black and feeling blue.
- Discrimination is inefficient; means that many are not fulfilling potential.
- Often cannot achieve poverty reduction without tackling HIs.
- High HIs lead to conflict: econometric and case study research. NB especially where there are economic AND political HIs

Proportion of conflicts classified as 'ethnic'



Source: Calculated from Marshall (2006)

Many HIs are very persistent

- Persistent inequalities in Ghana (North-South); US black-white; indigenous people, Latin America...
- Last centuries.
- Wellbeing impact worse because of this.

Reasons for persistence in HIs

- Initial inequality (often colonial cause) leads to multiple disadvantages:
 1. Inequality of incomes generates inequalities in accumulation, including human capital.
 2. Asymmetry of social capital. Poorer groups have less advantageous contacts.
 3. Interaction among capitals: low Hk worsens returns to financial capital; low financial capital reduces returns to Kk. Low social capital reduces returns to each.
 4. Continued discrimination.
 5. Political HIs which reinforce disadvantage.

Given importance of HIs, how can they be addressed?

- Many approaches to addressing political HIs:
 - Federalism;
 - Decentralisation;
 - Proportional representation;
 - Power-sharing at all levels
- Socio-economic:
 - Direct policies (targeted)
 - Indirect (universalistic)
 - Integrationist approaches

Direct policies

- Most commonly thought of as ‘affirmative action’.
- Target groups directly via quotas, preferences:
 - Towards assets (land/finance). Eg. Malaysia, Zimbabwe).
 - Employment (Malaysia, India, Sri Lanka)
 - Public expenditure contracts – e.g. (Canada, US, N.Ireland, S.Africa).
 - Access to services – education, Malaysia, Sri Lanka.
 - Advantages:
 - Are visible
 - Effective

Possible downsides

- Do they entrench ethnicities?
 - Contact and status
 - Evidence from US
 - Evidence from Malaysia
- Do they lead to inefficiency?
- Do they worsen INTRA-group distribution?
- Do they provoke opposition? Even violent?

Indirect policies

- Tax and public expenditure designed to help particular deprived groups:
 - Progressive taxation
 - Universal provision of services
- Legal policies to correct discrimination, e.g. in employment, housing ...
- Macro-policies (e.g. exchange rate) which favour particular activities.
- Are they effective?

Integrationist policies

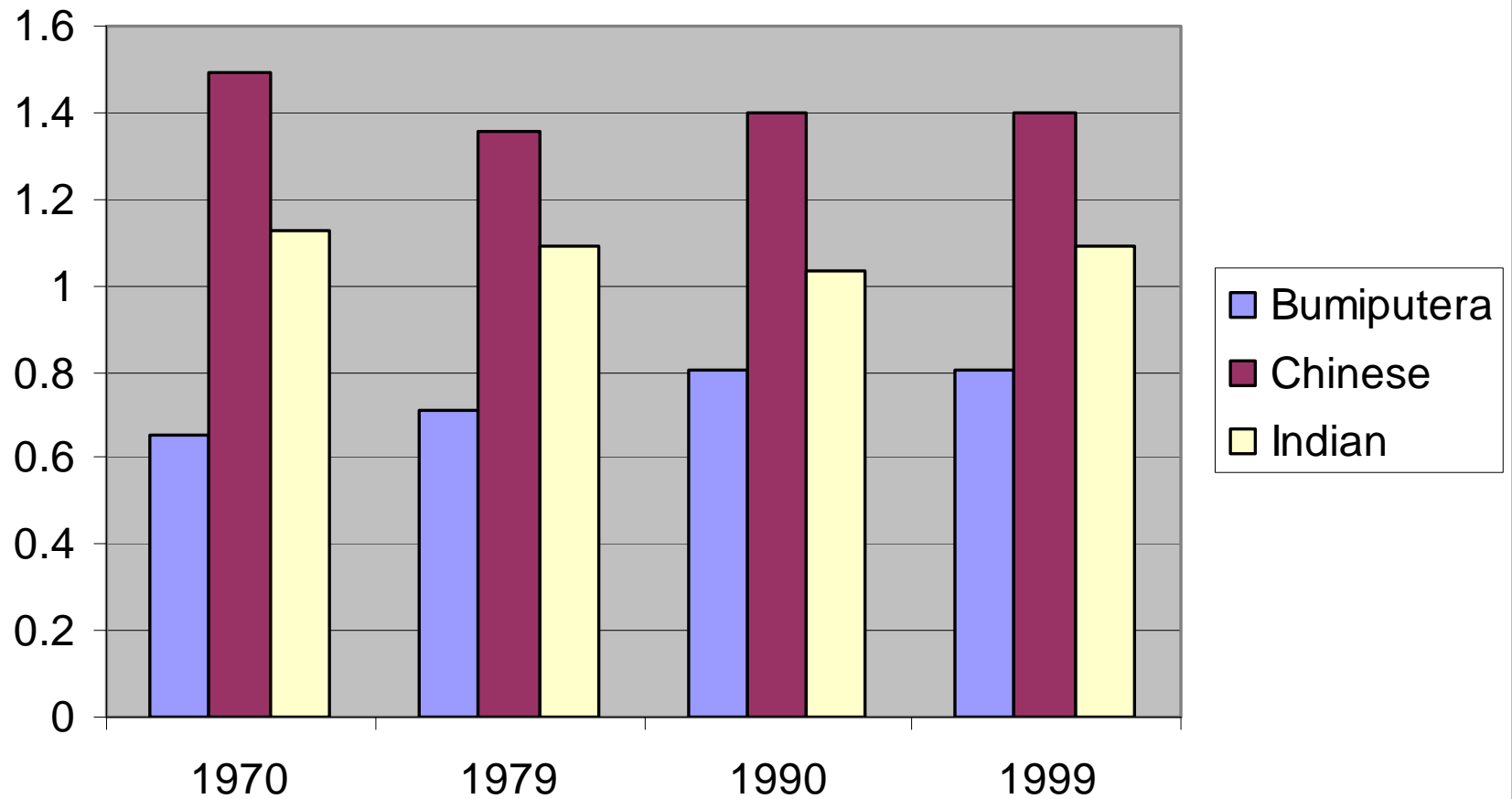
- Aimed to reduce group consciousness.
 - Integration of schools
 - Promotion of national identities.
- But threaten cultural identities? And provoke new identity conflicts: France; USSR.
- Conceal deep inequalities? Peru

POLICIES

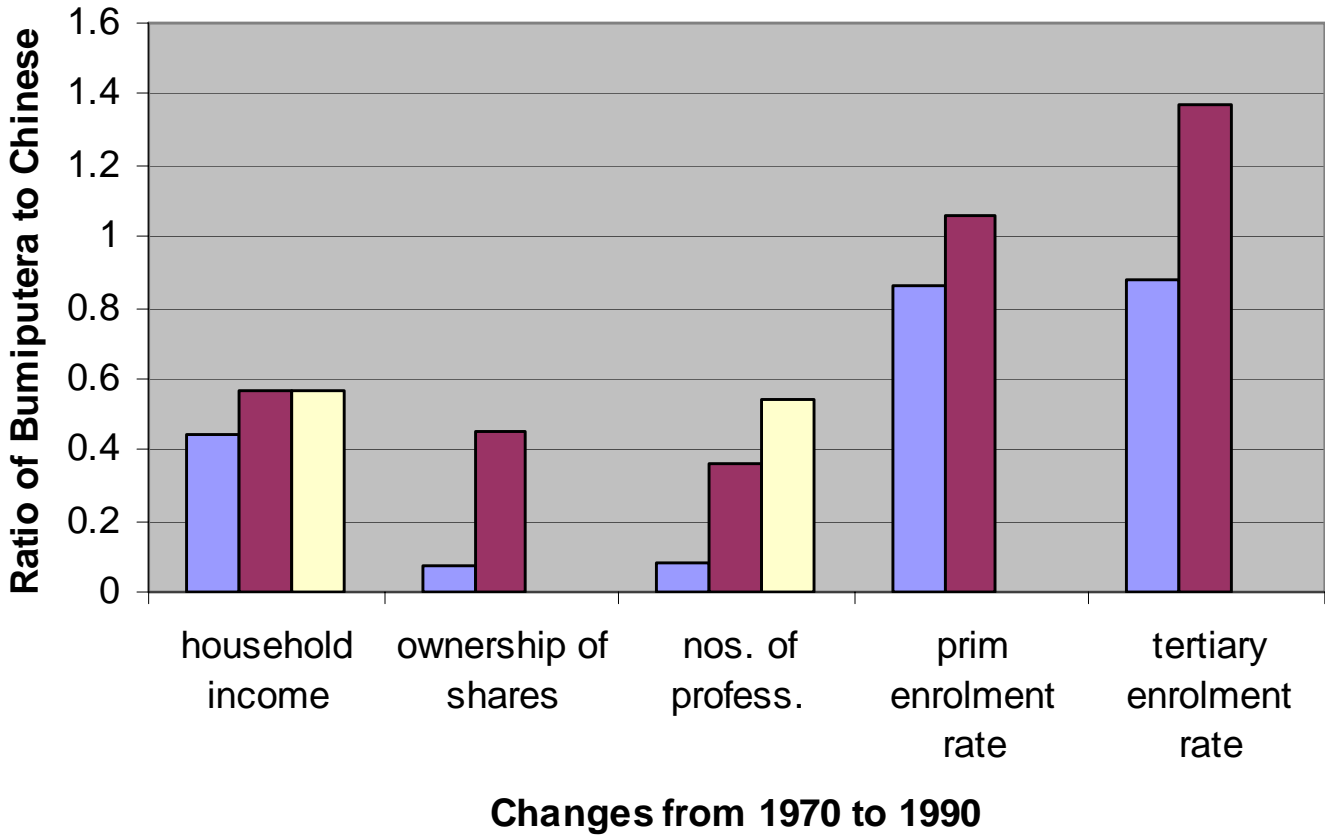
Malaysia: a successful case of reducing econ/social Hls.

- 1971, following anti-Chinese riots, 1969. NEP. Aim to secure national unity.
- Characteristics.
 - Two prong: ‘to reduce and eventually eradicate poverty’;
 - and ‘to accelerate the process of restructuring Malaysian society to correct economic imbalance so as to reduce and eventually eliminate the identification of race with economic function’ (Second Malaysian Plan 1971-1975)
 - a variety of anti-poverty policies (rural development; social services).
 - restructuring:
 - o expand Bumiputera share of capital ownership to 30%.
 - o 95% of new lands to be settled on Malays;
 - o educational quotas in public institutions laid down, in line with population shares;
 - o credit policies favoured Malays, with credit allocations and more favourable interest rates.

Malaysia: Mean incomes relative to average



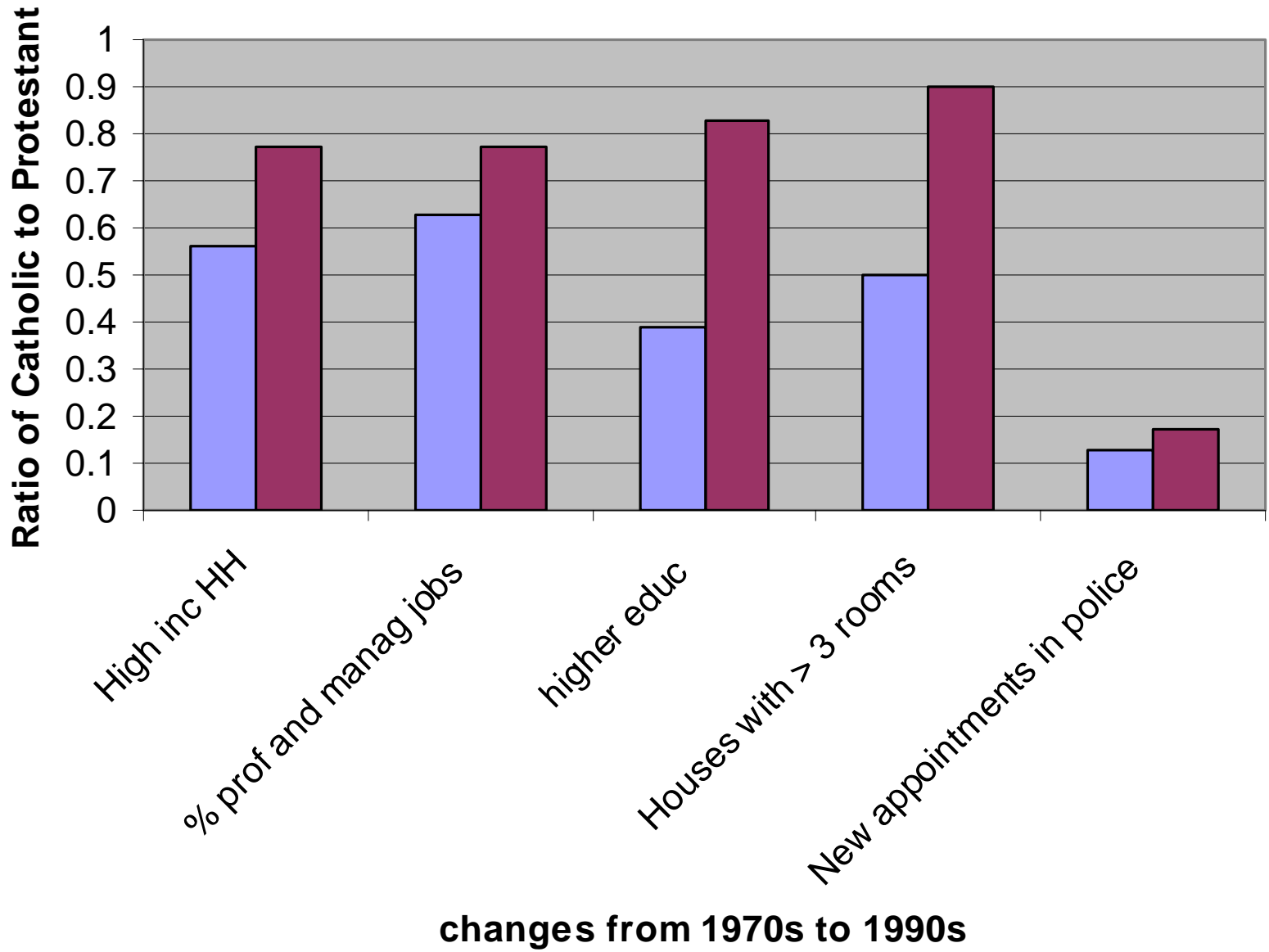
Malaysia and the NEP



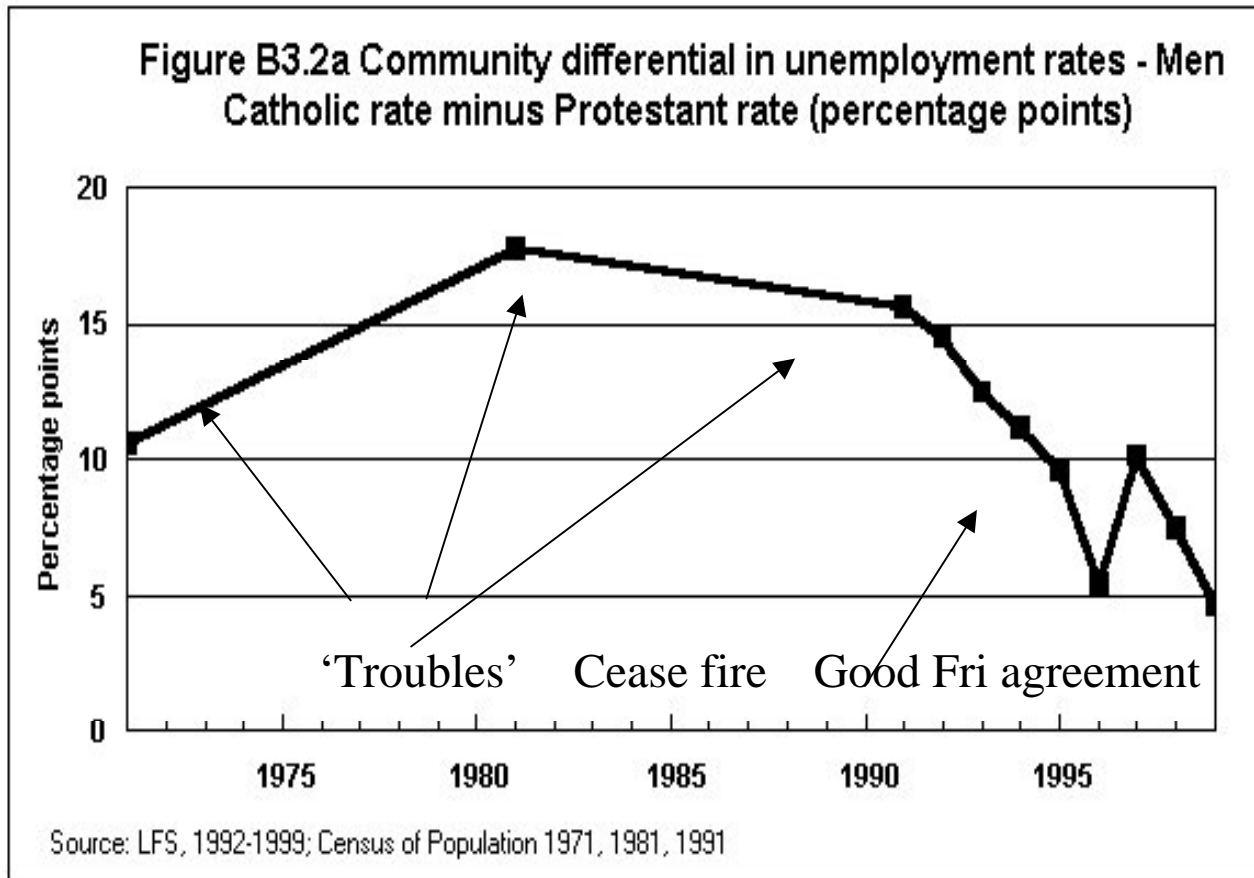
N.Ireland: economic changes underlying political ones

- His large, persistent and consistent over all dimensions over a long time period
- ‘By the end of the nineteenth century Protestants controlled the vast bulk of the economic resources of east Ulster - the best of its land, its industrial and financial capital, commercial and business networks, industrial skills’.(Ruane and Todd 1996)
- no narrowing of the gap between the communities from 1901 to 1970s, with Catholics disadvantaged at every level.
- u/e gap widened
- New policies to reduce gaps from late 1970s: Fair Employment Acts, 1976; 1989; housing policy. Police Acts 1998,2000, 2003.

Horizontal Inequalities in N.Ireland



N. Ireland: intervention on HIs and peace



Conclusions

- Increasingly multiethnic world, dangers of ethnic or religious disputes increasing, and therefore need for policies to promote multiethnic cohesion increases.
- Importance of tackling inequalities and discrimination increasing.
- Evidence suggests that policies CAN work, but need comprehensive approach:
 - Policies towards social inequalities (education etc.) not enough.
 - Also need policies towards inequalities in economic opportunities.
- Comprehensive approach successfully adopted in Malaysia; N.Ireland.

Policies are NOT part of normal agenda

- Ignored in macro policies of stabilisation and liberalisation
- Not part of growth and poverty reduction strategies; not in MDGs
- Often neglected in reconstruction
- Not part of majoritarian democracy