Why Inequality Does Not Undermine Democracy

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Conventional wisdom holds that inequality undermines the quality of democracy. The idea that a concentration of economic resources erodes democracy's principle of formal political equality has such instinctive appeal that scholars working on the political consequences of inequality have yet to question its theoretical foundation or empirical veracity. Building on research that highlights economic elites' self-interested influence over the design of democratic institutions, we explain that inequality may not undermine democracy because democracy can be instrumental rather than inimical to elites' economic interests. Empirical analysis finds no support for the conventional wisdom: No matter how either inequality or democracy are measured, the former has no effect on the latter. This finding suggests an uncomfortable paradox for the liberal-egalitarian conventional wisdom, which places great faith in democracy's ability to bring about transformative economic change. Yet just as research has shown that unequal democracy does not generate significant redistribution, inequality does not put pressure on the quality of democracy. Instead, inequality may be built into democracy's DNA.

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We live in an era of growing concern about the future of democracy (Bermeo 2016; Diamond, Plattner, and Walker 2016; Levitsky and Ziblatt 2018). With Thomas Piketty's *Capital in the 21st Century* only the most prominent example, research on the political consequences of inequality continually contributes to this worry. The conventional wisdom that inequality and democracy are incompatible has been handed down from Plato and Aristotle through Hobbes, Rousseau, Tocqueville and Marx, and pervades contemporary social science research. The intuition behind this notion is simple: a concentration of economic resources grants power to the few at the expense of the many, making a mockery of democracy's principle of formal political equality (Dahl 1971, 1989; Pateman 1970; Schattschneider 1960). Perhaps because it is both ancient and intuitive, the idea that inequality undermines the quality of democracy has gone unquestioned in recent social science research.

We are interested in helping to identify and understand the sources of democracy's contemporary strengths and weaknesses. To what extent does economic inequality contribute to contemporary concern about democracy's future? It is challenging to swim against the tide of recent research, and of consensual scholarly opinion. Yet anecdotally at least, the facts confront the conventional wisdom with a puzzle: quite simply, the empirical association between inequality and the quality of democracy is by no means obvious, no matter how the latter is measured. In some countries inequality has increased in recent years, but the quality of democracy has remained unchanged. The USA had much lower economic inequality in the mid-20th century but also arguably a lower-quality democracy, given that equal participation could not be guaranteed to citizens of all races. Elsewhere – as in South Africa – inequality has been and remains quite high, but observers such as Freedom House have consistently rated that country as "free." Meanwhile, inequality declined measurably in Brazil in the 2000s, but the quality of its democracy did not improve. Finally, some countries – such as Turkey – have seen declines in democratic quality with no apparent change in the level of inequality.

As we will show, these cases are not outliers. Despite the flood of recent research, there is no clear evidence that inequality corrodes the quality of democracy cross-nationally. There are two related reasons to question the conventional wisdom, both of which are rooted in the notion that democracy, not dictatorship, is instrumental to capitalism in offering elites better protection of property rights. This symbiosis reduces any incentive elites might have to undermine the political system. First, the conventional approach to understanding the impact of inequality has overlooked the fact that no matter the initial level of inequality, economic elites play key roles in the process of regime change and are often successful in designing the institutions of democracy in their own economic self-interest. Second, again regardless of the initial level of inequality, even if non-elite actors play some role in the design of democratic institutions at the moment of transition, the process of democracy itself tends to advantage the wealthy, again giving them little reason to invest in undermining the political system. In short, the reason inequality does not undermine democracy is because democracy can be instrumental rather than inimical to elite interests.

To be sure, the connection between inequality and democracy may depend on how we define the latter. Yet as observers like Robert Dahl suggested, "true" democracy, with robustly equal citizenship and effective self-government, is a utopian ideal. We follow Dahl's procedural understanding of democracy, which offers a more realistic standard for assessing the functioning of real-world political systems in which participation and contestation result in peaceful elite rotation in and out of office. In contrast, defining democracy based on some level of participation or by whether it produces certain outcomes is less useful, because non-democratic regimes can also produce similar inputs and outputs via entirely different processes. In any case, any move towards democratic "deepening" requires democratic procedures in the first place – and if inequality doesn't affect the quality of democratic procedures then it's not obvious how much it could matter for any other normatively desirable quality of democracy. The processes of democracy cannot be irrelevant for its other qualities. Any reflection on the potential impact of inequality on democracy must naturally begin with an examination of its effect on the institutions and processes of democracy.

Democracy remains weak in many countries and is even threatened in some of the most "consolidated" regimes around the world. The purpose of this paper is to question whether the blame for democracy's enduring flaws or decline lies with economic inequality per se. We suggest that there are good reasons to question the longstanding notion that inequality undermines the quality of democracy. In a series of cross-sectional time series panels of over 100 countries between 1960 and the present we find no empirical support for this hypothesized relationship, no matter how one measures democracy – be it through the Polity score, Freedom House indicators, or the V-DEM indicator – or inequality – be it income, land, or wealth inequality. Our findings are deliberately meant to be provocative, suggesting that recent scholarship has over-emphasized the impact of economic inequality on the quality of democracy. Our conclusion suggests that scholars might do better to see inequality and democracy as, in some ways, mutually reinforcing.

1 Democracy and Inequality

Inequality is said to undermine democracy by tightening the hold that the wealthy have on all three "faces" of power (Lukes 1986). To impose their will the wealthy could work with agents of coercion, as they do under dictatorship. Yet under democracy elites do not necessarily need to threaten violence to preserve their standing, as they could simply bribe politicians or otherwise make their wealth indispensable to those who manage government affairs. After all, elections tend to be expensive even in democracies with strong campaign finance laws, making contact with moneyed interests a necessity for vote-seeking candidates and parties.

After an election, the wealthy can also leverage their resources and organizational capacity to shape the political agenda, both in terms of what gets on it and what doesn't.

This helps explain the consistent finding that inequality tends to warp representational outcomes. For example, scholars agree that in the USA, democracy favors the rich and is largely unresponsive to the poor (Bartels 2008; Gilens 2012; Hacker and Pierson 2010). Comparativists have come to similar conclusions (Giger, Rosset, and Bernauer 2012; Rosset, Giger, and Bernauer 2013).

The wealthy can also attempt to shape the third face of power. The greater the inequality, the more resources elites can devote to fostering some sort of Gramscian ideological hegemony that justifies the economic and political status quo. If the poor accept their lot in life and agree that the rich have fairly obtained their position, they are unlikely to mobilize to radically transform the system. This may help explain how economic inequality generates apathy and reduces and political efficacy among the poor (Beramendi and Anderson 2008; Krieckhaus et al. 2013; Solt 2008; Verba, Schlozman, and Brady 1994).

In short, by muting the many and amplifying the voice of the few, inequality biases democratic politics in favor of the wealthy. Critics of democracy have long painted this grim picture, from early 20th-century elite critics such as Mosca, Pareto and Michels throughSchattschneider (1960), Piven (2006) and many others, suggesting that inequality makes a mockery of democracy's core principles of equal voice and vote and turns Dahl's notion of polyarchy as inclusive pluralism into a sham.

Even Dahl agreed that although unequal democracies could survive and have free media, competitive elections, and strong civil liberties, inequality could come to undermine the quality of democracy, even "procedural" democracy as he defined it (Dahl 2015, p. 200). As Dahl's career progressed, he grew increasingly concerned that inequality "might compromise basic democratic institutions" (ibid.), and in his last book, *On Political Equality*, Dahl (2006) even wondered whether inequality would push some countries – including the USA – below the threshold at which we would consider them democratic.

Dahl both echoed and helped spread the notion that democracy and inequality are incompatible. Scholars tend to accept this argument at face value. However, few have ever considered the extent to which or even whether inequality actually undermines the quality of the *processes* of democracy. This entails a shift in focus, away from questions about representational outcomes or individual-level efficacy, which dominate the research agenda about the political consequences of inequality, to questions about whether inequality undermines the rules of the political game that permit free and fair elections and the possibility of accountability in the first place.

Such an effort should begin with what we call "Dahl's calculus" — the idea that democracy survives when the costs of repression exceed the costs of toleration (Dahl 1971). Dahl's simple notion implies that the health of democracy depends primarily on the preferences and actions of economic elites, who pay the cost of repression under dictatorship and who bear the "costs" of toleration when dictatorships transition to democracy. This in turn suggests that we should focus on the extent to which inequality shapes economic elites' political incentives to alter the core institutional rules of democracy — those related to participation and contestation. Does inequality increase elites' incentives to repress the vote, or ban certain parties? Does it increase the cost to elites of allowing mass participation and contestation, thereby also increasing their incentives to support repressive measures?

Extant research is committed to the liberal-egalitarian normative ideal that democracy should do better at representing "everyone, equally" (Purdy 2017). Yet from Burke to Schumpeter to Dahl and beyond, observers have suggested that the idea of democracy as self-government is utopian, and have conceded the Churchillian point that democracy is in practice always and everywhere deeply flawed – "the worst form of government, except for all the others that have ever been tried." Given that no democracy has ever met the ideal of robustly equal citizenship and effective self-government, the actual impact of inequality on the quality of democracy remains an open question.

We seek to more precisely understand whether elites have incentives not just to protect their interests but to push the envelope – not by completely overturning the game board and installing a dictatorship, but by weakening democracy's formal institutional framework for their own purposes. It is not difficult to think of tactics elites might adopt to achieve such an end; one could take Dahl's list of institutional requirements for polyarchy (Dahl 1971, p.3) and attach corresponding examples, such as making it harder to register to vote or more difficult to register candidates or parties. In such scenarios all players can in principle still "participate" and "contest" the outcome, but when one group makes it harder for others to play, they have predetermined the outcome. This is what we mean by declines in the quality of democracy, a concept often referred to as democratic erosion or backsliding Waldner and Lust (2018). The next two sections derive hypotheses about when elites might take this path, and when they are more likely to succeed.

2 The Conventional Wisdom

The conventional wisdom presupposes an inherent tension between democracy and property. Dahl's calculus develops the logic of this intuition, suggesting where and when the supposed tension would be greatest. Dahl's intuition about the sources of democracy focuses on the relative costs of repression versus toleration for economic elites (Dahl 1971). Two structural conditions affect elites' strategies: the average (per capita) level of economic resources, and the relative (equal or unequal) distribution of such resources. In a nutshell, Dahl's calculus implies that poverty and inequality undermine the quality of democracy. For elites, the benefits of toleration (of universal suffrage) grow to exceed the costs of repression as a country becomes wealthier and more equal.

The theoretical logic supporting the connection between per capita income and democracy follows Lipset (1963, 51), who suggested that if a country is so rich that some degree of redistribution would leave the socioeconomic status quo essentially unchanged, then the wealthy would reconcile themselves to democracy because universal suffrage entails lower costs than a coup attempt, which might fail, or a repressive regime, which would be costly to maintain. In a poor country, by contrast, the stakes are much higher for elites, because any amount of redistribution implies greater relative losses, since there is so little to redistribute to begin with (Gould and Maggio 2007; Przeworski 2005, 2006, 2008).

Dahl's calculus suggests that elites might not like democracy, but will tolerate it when they can afford to. This implies that elites are not only more likely to risk a revanchist coup but also to be more willing to invest undermining democracy in poorer countries. Elites might "reconcile" themselves to democracy rather than attempt to "destroy" it, but being reconciled to democracy hardly suggests that elites will abandon their efforts to influence politics. It only implies that they have concluded that investing undermining democracy is more profitable than changing democracy back to dictatorship, given the expected costs and benefits of each move. The intuitions of Dahl, Lipset and Przeworski all jibe with what we know to be true, even in wealthy countries: under democracy the rich attempt to influence politics via legal and illegal efforts that put a resource-heavy finger on the scale of the political process.

Let us now turn to how inequality impacts Dahl's calculus. Contemporary research grounds the intuition that inequality undermines democracy in the median-voter model (Meltzer and Richard 1981), which suggests that when inequality is low the rich have little to fear from the poor, since demand for redistribution will likewise be low. By contrast, where inequality is high, the poor will vote to impose higher taxes. In the latter scenario, the rich may conclude that the costs associated with undermining democracy are lower than the potential losses that might accrue from doing nothing or from attempting a coup.

This logic is a direct extension of the "redistributivist" arguments of Boix (2003) and Acemoglu and Robinson (2006) for understanding regime change.[1] As inequality increases, elites face greater incentives to undermine democracy, because doing so enhances their gains while avoiding the costs of a failed coup (i.e., potential total loss of life, liberty and property) or the costs of repression associated with successful coup and a return to autocracy.

[1]See also Przeworski (2005) and Houle (2009).

In this approach, the potential costs of repression explain why elites may choose to tolerate democracy, even though high inequality gives the poor greater incentives to target elites. "Tolerating" democracy still lets elites undermine the system, even if the costs of attempting to overthrow it are prohibitive. In fact, the benefit/cost ratio of undermining democracy may be quite high. Indeed, the costs associated with this strategy appears rather low relative to the potential payoffs, particularly compared to the costs of a coup attempt. In the USA, for example, the financial sector alone invested about $2 billion in lobbying and campaign finance for federal elections in just the 2015-16 cycle (Americans for Financial Reform 2017). Yet the returns are estimated to exceed that investment many times over (Ansolabehere, De Figueiredo, and Snyder 2003; Claessens, Feijen, and Laeven 2008; Cooper, Gulen, and Ovtchinnikov 2010; Goldman, Rocholl, and So 2008).

The redistributivist logic implies that as inequality increases elites face growing incentives not just to spend resources protecting their interests, but to undermine key institutional supports of democracy. Glaeser, Scheinkman, and Shleifer (2003) lay out this logic explicitly, arguing that as inequality increases under democracy, elites have incentives to subvert legal, political and regulatory institutions for their own benefit. Elites could also encourage de-funding of oversight authorities so that electoral fraud becomes rampant, or lobby politicians to pass laws that impede citizens' ability to form political parties. They could also work to eliminate minority protections, seek to ban or censor particular media outlets, or politicize the judiciary and/or the security forces so that the scales of and access to justice tip against particular individuals or groups. Such efforts indicate a willingness to move toward "illiberal" democracy – to support repression over toleration – even if the system is never replaced with a full-blown autocracy.

The assumed tension between democracy and property in the redistributivist approach suggests that for elites, the benefits of undermining democracy may be significant – greater protection of wealth and income – while the costs may be no higher than standard lobbying practices. Dahl's calculus encapsulates the view that although elites might tolerate democracy over dictatorship in wealthy and equal societies, they always retain some incentives to undermine the system, to maximize their gains while paying none of the costs of repression that would be associated with a return to autocracy. Such incentives are maximized in poor and unequal societies.

3 A Revisionist Approach

There are three related reasons – all having to do with the relationship between democracy and property – why we might question the conventional view. First, although the idea that democracy and property are inherently in tension has deep philosophical roots, the opposite notion – that democracy and property are compatible – has roots that are almost as deep, in Enlightenment liberalism. John Locke, for example, posited a connection between suffrage and the protection of property rights. Of course, because he held that only those who paid taxes should obtain representation, he argued that suffrage should be restricted to property-owning males. Other liberals, however, later built on Locke's logic. Adam Smith, Thomas Malthus and David Ricardo, for example, all believed that government represented the greatest threat to liberty and economic development, and advocated for suffrage expansion as an effective constraint on tyranny. Their theories of limited government did not focus on protecting the rich from the poor, but on protecting property holders from arbitrary rule. Along with James Mill, these liberal reformers reasoned that because suffrage equalled protection against tyranny, the wider the suffrage the stronger the protection. Mill also believed the poor posed no danger to the rich because they were ideologically conservative, to the extent that they held any coherent political beliefs at all (Collini, Winch, and Burrow 1983, 104). James Mill's son John Stuart echoed his father's views, and argued that democracy maximizes individual security of life, liberty and property while dictatorship offers unaccountable elites opportunities to both repress opponents and to engage in taxation without representation (Krouse 1982).

These influential 18th and 19th-century liberals extended Locke's notion of the protective functions of government, flipping the conventional wisdom by highlighting that the well-off have good reason to prefer a political system that protects everyone's property, not just political insiders'. Democracy, they implied, can be instrumentally useful to anyone who seeks stable, depersonalized contracting rules. This idea implies further that democracy is compatible with development not for the reason that Lipset, Dahl, Przeworski and others have emphasized (that elites intuit that expanded suffrage and some degree of redistribution are cheaper than the potential costs of a failed coup and/or of maintaining a repressive regime) but because *the rule of law is stronger* in wealthy democracies, compared to wealthy dictatorships Weingast (1997).

Important arguments in political economy also have implications for the alleged incompatibility between democracy and inequality. Przeworski and Wallerstein's notion of "democratic class compromise" Przeworski and Wallerstein (1982) suggests that capitalists will accept democracy if workers agree to wage restraint. This tactic is (counterintuitively) rational for workers, because wage restraint gives capitalists' continued reason to invest, which in turn raises everyone's incomes. By contrast, radical wage demands might cause disinvestment and wage stagnation. Even so, class compromise tends to perpetuate the socio-economic status quo, which may entail significant inequality.

Przeworski and Wallerstein Przeworski and Wallerstein (1988) later explained why even when workers' representatives win free and fair elections, governments still tend to favor capital over labor. This "structural dependence" of the state on capital derives from the fact that property is private under democracy. As with their argument about workers, they suggest that the state must agree to hold down tax levels, exercising restraint in order to maintain capitalists' faith that property rights are not fundamentally threatened. After all, capitalists control investment decisions, upon which the state's fiscal health depends. The state *could* engage in significant redistribution, but Przeworski and Wallerstein argue that even leftist elected leaders will rationally choose the same level of redistribution that workers would – just enough to maintain capitalist investment, i.e. not much. In the end, the existence of private property under democracy constrains the degree of possible government redistribution. To the extent that Przeworski and Wallerstein's argument help us understand why capitalism and democracy are compatible, it also helps us understand why inequality and democracy may also be, given that capitalism may produce significant inequalities.

A third line of research – on regime change – has explored the implications of Dahl's calculus. Partly in response to the puzzle of why inequality does not lead to greater demands for redistribution under democracy, scholars have recently emphasized economic elites' influence in bringing about and designing the institutions of democracy Albertus and Menaldo (2018); Ansell and Samuels (2014); Slater and Wong (2013); Ziblatt (2017). This literature echoes earlier research, which highlighted the importance of status-quo preserving pacts between key groups that facilitate the emergence and long-term stability of democracy Bermeo (1997); Hagopian (1990); Linz and Stepan (1996); O'donnell, Schmitter, and Arnson (2013); Przeworski (1991). All of this work directly echoes Dahl's notion from *Polyarchy* that democracy emerges and survives when elites believe the costs of repression exceed the costs of toleration. As Ziblatt (2017, 4) put it, such arguments emphasize that elites must feel their interests are secure for democracy to succeed. As he and others have noted, in most cases, the wealthy typically transition to democracy from a position of strength, and deliberately set up institutional roadblocks to extensive redistribution. Ziblatt explicitly argues that there are advantages – to everyone – of "making democracy safe for elites," since the alternatives (a return to dictatorship or a revolution) are either infeasible or tremendously unpleasant for the vast majority. In any case, recent research on regime change provides a straightforward explanation for why inequality and democracy may be compatible – because democracy often emerges from a political compromise that protects elites' interests.

Liberal political thought as well as more recent work in political economy and on regime change offer strong reasons to believe that democracy may not be in tension with property. Instead, it may be instrumental to it. To the extent that this is the case, we have an alternative to the redistributivist hypothesis that inequality undermines democracy. As long as the well-off believe that property rights are secure, democracy may be *compatible* with inequality. This implies that inequality might only undermine democracy in poorer countries, where property-rights protections might be weaker because state strength is weaker.

3.1 Considering Different Types of Inequality

The redistributivist hypothesis implies that all forms of inequality should undermine democracy, while our revisionist hypothesis implies that it should not. Yet as Ansell and Samuels (2014) suggested, different forms of inequality can have different political consequences. For example, even in poor countries, holders of mobile assets have relatively better exit options and could discount threats to property rights relative to holders of specific assets. Focusing on extensions of the revisionist argument just considered, we now explain why land inequality might be associated with declines in the quality of democracy, but not income or wealth inequality.

Wealth Inequality and Democracy The primary political interest of wealth-holders is protecting property rights. In his study of oligarchy, Winters (2011) suggested that where strong property rights protections exist, wealth-holders have no need to rule directly, given that wealth translates into political influence. This suggests that in contrast to a redistributivist hypothesis, democracy can be compatible with economic inequality so long as those who possess no property do not use their voice and vote to overturn property rights. And as Winters notes, property rights are typically a settled issue under democracy, in the sense that 3rd-party enforcement of contracts defends the modest possessions of the middle class within the same legal and ideological framework as it defends the immodest assets of the rich. This has the effect of removing defense of property rights from the list of elite fears.

Only if property rights protections become weak and there are no options for capital flight does democracy become problematic for the wealthy. In such cases elites engage in "wealth defense," relying on the military, purchasing the services of private security forces or militias, bribing police, judges and politicians, or even funding mass mobilization — all in the name of reestablishing "law and order." By contrast, where a robust and stable legal structure exists, the rich need not invest in "wealth defense," only in "income defense," where they seek to retain as much of the profit, income, rents or return on their wealth as possible. Although much money is at stake, focusing on income defense signals a shift from the protection of core to marginal interests, "from avoiding confiscation to avoiding redistribution" (Winters 2011, p. 25).

A complex "income defense industry" does serve the wealthy – but the cost of this mercenary army of accountants, lawyers, investment advisors and lobbyists is but a tiny fraction of the value of elites' wealth. And where the rule of law is strong, these fees constitute the total cost of doing business under democracy. The agents of the wealthy spend their days creating offshore tax havens, lobbying for lower tax rates, keeping the tax system opaque and full of loopholes and seeking to limit the authority, expertise and resources of tax authorities so as to lower the probability their principals will get audited. Such efforts allow the wealthy to evade a significant proportion of their ostensible tax burden, since tax evasion will be higher when the probability of being detected is low or when penalties are minimal. For example, Alstadsæter, Johannesen, and Zucman (2017) found that even in wealthy, high state-capacity Scandinavian democracies, about 40% of the top 0.1% of households hid wealth abroad to evade taxation, reasoning that even if they were caught the penalties would still be lower than paying their taxes in full.

The income and wealth defense industries are abetted by the fact that financial regulations are extraordinarily opaque – and are designed that way. As (Naidu 2017, p. 121) put it, such complexity is "instrumental to the politics: raise the cognitive barrier for entry into the debate, and watch the political determinants of [policy] be set completely behind the scenes by well-funded and well-informed insiders." Since the complexity of the policy issues raises the bar on the knowledge needed to enter the debate, the rich don't even have to confront the masses to get what they want.

The wealthy are also unlikely to face the wrath of voters for the simple reason that wealth remains invisible to most voters. Gini coefficients of wealth are higher than those for income: the mean Gini of income by country in the World Income Inequality Database (WIID) is approximately 41 (UNU-WIDER 2017), while the mean Gini of wealth by country that Davies, Lluberas, and Shorrocks (2016) report (for the 2000-16 period) is 74. Wealth is so concentrated that the richest eight people in the world have as much as the bottom 50% of the entire planet's population (Hardoon 2017). In the end, F. Scott Fitzgerald was right — most voters have no clue just how different the rich are from you and me. In a democracy with universal suffrage, voters do not live their daily lives literally oppressed by the wealthy, as under a system of slavery. Because it is largely invisible, wealth remains, for the vast majority of the population, politically irrelevant.

In the end, even under conditions of high wealth inequality, for holders of non-landed wealth the costs of toleration are minuscule compared to the potential costs of repression. Winters (2011, p.210) concludes that what he calls "civil oligarchies" are indifferent to democracy – "they neither require it nor are they seriously threatened by its existence." This does not go far enough. The wealthy might in fact *prefer* democracy as instrumental to their interests, insofar as its ideological framework is intrinsically linked to the protection of property rights, something that cannot be said of dictatorship. It is hardly counterintuitive to infer that the wealthy have good reason to prefer a political system with strong third-party enforcement of the rules over one in which their rights might be arbitrarily and summarily violated, with no legal recourse. And in this respect the facts speak loudly: history has shown that democracy and tremendous concentrations of wealth are more likely to coexist than to clash.

3.2 Income Inequality and Democracy

The parsimoniousness and intuitive appeal of the Meltzer-Richard median voter model has powerfully shaped the way scholars think about the relationship between income and demand for redistribution. It has also had a crucial impact on important works about the emergence of democracy (Acemoglu and Robinson 2006; Boix 2003, e.g.). Yet the median voter model has misleading implications. As with wealth, there are good reasons to suspect that income inequality might not undermine the quality of democracy.

High earners derive considerable benefits from democracy. For one, they benefit indirectly from the resources that the truly rich invest in wealth and income defense. After all, common way for the rich to achieve their goal of minimizing effective tax rates is to argue that taxes should be reduced for *everyone*.

Those with above-average incomes also benefit directly from the public goods and social-welfare spending that historically have accompanied democratization (Haggard and Kaufman 2008; Halperin, Siegle, and Weinstein 2009; Justman and Gradstein 1999; Lindert 2004; Lizzeri and Persico 2004; Przeworski et al. 2000; Sen 2001), especially because such spending tends not to be universalistic but instead dominated by club goods that benefit the middle and upper-middle classes relatively more than the poor (Moene and Wallerstein 2001; Ross 2006). Moreover, public benefits to the upper-middle class actually tend to *increase* with aggregate income inequality (Ansell and Samuels 2014).

Both directly and indirectly, the relatively well–off may derive considerable benefits from democracy, just like the very well–off do, particularly given that for relatively well–off the costs of attempting to organize to undermine democracy are likely to vastly exceed the benefits of becoming "reconciled" to democracy. The merely well-off may be more numerous and diverse than the truly wealthy (and more likely to mobilize politically than the poor) but even so the top 90-99.9% of income-earners are far more heterogeneous than those in the top 0.1%, who hold the lion's share of the wealth. This makes coordination to pay the costs of repression more difficult than for the truly wealthy. What's more, unlike many or most of the truly wealthy, high earners also lack a credible and politically potent “exit threat” for their income.

As with wealth, income inequality does not generate clear incentives for high earners to undermine democracy. Just like the truly wealthy, high earners benefit from a political system with strong third-party enforcement of the rules that regulate contracts and property. Again, democracy doesn’t threaten high earners’ interests – it is instrumental to them.

3.3 Land Inequality and Democracy

By all accounts, inequality of landholding should be relatively more likely to undermine the quality of democracy, relative to (non-landed) wealth or income. Scholars have long suggested that historically, landholders’ wealth and income have depended on exploitative labor relations in the countryside (Gerschenkron 1946; Mahoney 2003; Moore 1966; Rueschemeyer, Stephens, and Stephens 1992; Wood 2000; Yashar 1997). Mahoney (2003) has even suggested that the weakening of landed is elites is the most plausible explanation for why capitalist development is associated with the emergence and endurance of democracy around the world.

Before we explain why this might be the case – and why it might not – it is important to note that an unequal distribution of land *per se* does not give landholders incentives to undermine the quality of democracy. Instead, what matters is the interaction between the degree of landholding inequality and the degree to which a given level of agricultural production depends on labor versus capital. Land could be unequally distributed, but if few people live and work in the countryside, then landowners face a minimal threat to agrarian property rights. In contrast, even if land is fairly equally distributed, if there are many landless rural workers, landholders have far greater reason to fear rural unrest and/or demands for redistribution. For the question at hand, the degree of land inequality and the proportion of all workers in agriculture cannot be separated. Land inequality might matter for democracy, but only where we also see a large proportion of workers in agriculture (Albertus 2017; Rueschemeyer, Stephens, and Stephens 1992; Thomson 2016). Following Ansell and Samuels (2014), we call the relative balance of land inequality and rural labor-dependence "rural inequality" to distinguish it from measures of land inequality alone.

The key reason why rural inequality might be more likely to undermine democracy than income or wealth is because land is an immobile asset. For holders of mobile assets, the threat to move assets from one jurisdiction to another has a disciplining effect on tax rates and redistribution (Przeworski and Wallerstein 1988; Zucman 2015). Landowners possess no such credible threat and so should be relatively more sensitive to concerns about the sanctity of property rights than owners of more mobile assets. Given this, landed elites should also be relatively more willing to bear the costs of coercion to protect their interests, and more likely to support direct autocratic forms of rule if they perceive threats to property rights.

It seems logical that the hypothesis that Glaeser, Scheinkman, and Shleifer (2003) lay out – that elites have incentives to subvert legal, political and regulatory institutions for their own benefit as inequality increases – should apply in agrarian societies with a high degree of rural landlessness, where economic elites' fortunes depend entirely on continued control of rural labor. The effect of land inequality on the quality of democracy should attenuate with economic development, as the relative importance of labor to agricultural production declines, as does the importance of agriculture to economic growth.

So far we have suggested that landed elites have strong incentives to undermine democracy – stronger incentives than high income earners or holders of non-landed wealth. However, the very immobility of their key asset may make landowners fear the government more than hordes of agrarian workers. Counterintuitively for a redistributivist hypothesis, Albertus (2016) found that land redistribution is more likely under *dictatorship*, not democracy. The implication of this finding is that landed elites might support democracy for the same reason holders of non-landed wealth do: because it offers better protection of property rights. Just like holders of non-landed wealth, during political transitions landowners use their influence to shape the rules of the democratic game and tilt the playing field in their own favor, even as their political importance declines due to economic development. Their influence could result in a relatively low-quality democracy to begin with, but to the extent that landowners get what they want out of a transition to democracy, there's little reason to expect them to have strong interests in undermining the system they helped create.

In the end, while it might make sense to think that landed elites have strong incentives to work against the equal protections democracy formally requires, there may be reasons to question this notion. Just like holders of other assets, landed elites might find democracy instrumentally useful. For this reason rural inequality might only have a negative effect on the quality of democracy where agriculture is politically essential to economic growth and where property rights are relatively weak – that is, in relatively poor countries.

Summary This section has contrasted two hypotheses about the relationship between inequality and democracy. Virtually all social-science research assumes that inequality undermines democracy, in principle and in practice, and in countries rich and poor. We offered a contrasting hypothesis, rooted in Dahl's calculus about how elites weigh the costs of tolerating versus undermining democracy, which offers an explanation for why democracy and inequality might be compatible. Democracy and property are not necessarily in tension. For the well-off, democracy may prove instrumental rather than inimical to their interests, as the costs of attempting to undermine democracy might vastly exceed the benefits. This means that democracy may be *compatible* with inequality, as long as the well-off believe that property rights are secure. This further implies that inequality might only undermine democracy in poorer, agrarian societies, where property-rights protections might be weak and asset-holders have few exit options.

4 Testing the Hypotheses

Our theoretical discussion has set up two competing hypotheses, which can be put to the test in broad, cross-national perspective. On the one hand, the conventional wisdom expects to observe a negative relationship between any form of inequality and the quality of democracy. In contrast, our revisionist argument expects to observe such a relationship only for rural inequality, and in poorer societies.

Democracy is a contested concept. Empirically, for some observers a country either is a democracy or it is not — there is no middle ground. Adopting this approach may be useful, but not for the question of the quality of democracy. We focus on erosion and decay — of "less spectacular, more incremental, and less transparent" declines in democratic quality than a complete collapse of the system (Schedler 1998, p.97). As such we must consider continuous measures of democracy.

We explore several indicators that share the same fundamental conceptual premise that democracy is about Dahl's notion of free and fair participation and contestation. If the conventional wisdom is correct and inequality matters, it should shape the *process* of democracy, resulting in either de facto or de jure limits on voting rights or on parties' ability to compete on a level playing field, for example. Moreover, if the conventional wisdom is correct inequality should have a consistent and substantial effect across the measures we explore.[2]

[2]Using multiple measures potentially adds validity to our conclusions. However, we recognize that assessing the impact of inequality on the quality of democracy remains problematic no matter what measure is used, since all indicators are censored at some "high quality" level of democracy, whereas democracy is not a clearly bounded concept. A country that receives a "10" on Polity, for example, cannot "improve" its score, no matter how "deep" the democracy becomes.

4.1 Measuring Democracy

As indicated, we use three yearly indicators of the quality of democracy: the Polity IV index, the Freedom House Scores, and the V-Dem measure of "Electoral Democracy."[3] In each case, we examine a subset of countries that score above a certain threshold on those variables.

Polity The Polity index (Marshall and Jaggers 2017) scores 162 countries with a population of at least 500,000 in 2006 on a 21-point scale that ranges from full autocracy (-10) to full democracy (10). Polity provides scores for each country/year from 1800 to the present. In some of what follows we limit our sample to countries that scored a "6" or above on the Polity index in a given year.

Freedom House Freedom House (2016) assesses the quality of democracy on a scale that ranges from "Free" (1) to "Not Free" (7). Its coverage is more limited, going back only to 1972, but it includes up to 207 countries. We explore the two core components of the aggregate Freedom House score, which assess Political Rights and Civil Liberties. The former concentrates on the relative freedom and fairness of participation and electoral competition while the latter focuses on individual rights and freedoms of expression and association as well as the question of relative equality before the law. We reversed the Freedom House coding so that higher-quality democracies score a "7," and in some analyses we limited our sample to include countries that scored a "3" or above in a given year.

V-Dem The "Varieties of Democracy" dataset (Coppedge 2017) contains over 350 indicators, with yearly coverage of 177 countries going back to 1900. We use its measure of Electoral Democracy (v2x_polyarchy), which has a range from 0 to 1. In some analyses

[3]We also tested for the impact of inequality on the Economist Intelligence Unit's "Voice and Accountability" measure, which covers up to 170 countries, but only since 1996. Results were consistent with what we found for the other measures - that is, no relationship was revealed.

we limit our sample to countries that scored 0.4 or above on this measure.[4]

4.2 Measuring Inequality

As suggested above, we consider whether different forms of inequality have distinct political consequences.

Income Inequality For income inequality we use Gini coefficients from the World Income Inequality Database (WIID) (UNU-WIDER 2017), which covers 182 countries. 97% of the nearly 8,800 Gini observations in the database are from the 1960-2015 period. This variable ranges theoretically from zero to one hundred.

Rural Inequality To assess the relative distribution of land, we employ the measure of Rural Inequality as in Ansell and Samuels (2014). This begins with Vanhanen's "Family Farms" measure (Vanhanen 2009), which is the percentage of a country's total area of agricultural holdings owned and farmed by a single family. (A "family" employs no more than four people, including family members.) This measure, which Boix (2003) employed as an indicator of land inequality, ignores a crucial link between patterns of agricultural landholding and politics: the relative presence or absence of landless agricultural workers. As explained above, the political importance of land inequality is a function of the proportion of a country's population that works in agriculture. Holding the level of Family Farms constant, there is a vast difference in social structure between a country in which most of the population works in agriculture versus one in which a very small proportion of the population does.

To accurately gauge the political importance of land inequality, we weight it by a measure of the relative importance of agricultural labor. Here, we weight Family Farms by the proportion of the population that lives in rural areas. The higher this proportion, the larger the proportion of agricultural workers, including not just family farmers but also

[4]We also tested the effect of inequality on three subcomponents of the Electoral Democracy measure: freedom of expression (v2x_freexp), clean elections (v2xel_frefair) and elected officials (v2x_elecoff). Not surprisingly, results were highly similar.

tenants, seasonal or migrant workers, and landless peasants. We therefore calculate *Rural Inequality* as *(1-Family Farms)(1-Urbanization)*, where *Urbanization* is the percentage of urban inhabitants (Vanhanen 2009). This way, for any given level of Family Farms, higher rural population density will be positively associated with greater Rural Inequality, because proportionally more individuals are likely to own no land. Vanhanen measured Family Farms and Urbanization at ten-year intervals and then again in 2007; we impute values to get a yearly estimate. The variable ranges (theoretically) between zero and one.

Wealth Inequality For non-landed wealth, we employ Gini coefficients based on estimates of household wealth for the 2000-2016 period for 200 countries, which come from Shorrocks (2016) and Davies, Lluberas, and Shorrocks (2016).[5] As with Income Inequality, the Wealth Inequality Gini ranges theoretically between zero and one hundred.

Ideally we would employ a Gini of financial wealth alone, i.e. a measure that had taken out the value of agricultural land (and residential housing). Unfortunately, the data we obtained do not provide separate Gini coefficients for financial and non-financial wealth. This raises the question of the extent to which our measures of inequality are correlated. Table 1 shows that Wealth and Income Inequality are positively correlated, which is unsurprising — those who earn more are likely to acquire certain wealth. Even so, a correlation of 0.369 suggests that the two indicators do not measure the distribution of the same asset.

Rural Inequality's relationship to Income Inequality is (again, unsurprisingly) also very low. More importantly, Rural Inequality's low correlation with Wealth Inequality suggests that the inclusion of agricultural landholdings in the Wealth Gini is no great concern. The very low correlation is likely because most non-financial wealth in the world is held in the form of residential housing or commercial property, not agricultural land.[6] In

[5] We thank Tony Shorrocks for providing these data.

[6] For example, Barnes (2017) estimated that only about 10% of global non-financial (i.e., real estate) wealth is held in the form of agricultural land. The lion's share of non-financial wealth (about 80%) is held as residential property.

any case, in what follows we show results with income and wealth inequality separately before showing results with both variables in the same model.

Table 1: Correlation Matrix

Variables	Rural Ineq.	Wealth Ineq.	Income Ineq.	GDP per Cap.
Rural Ineq.	1.000			
Wealth Ineq.	0.088	1.000		
Income Ineq.	-0.033	0.369	1.000	
GDP per Cap.	-0.594	-0.068	0.030	1.000

4.3 Estimation Strategy

Before presenting results we consider two pertinent questions. The first is the appropriate estimation technique to explore the effect of economic inequality on political outcomes. Whether conventional or revisionist, theories relating inequality to democracy rely on an "endogenous" logic (Boix and Stokes 2003). That is, these theories suppose that within-country variation on independent variables shapes within-country variation on dependent variables. This suggests that the appropriate technique requires inclusion of country-fixed effects and the exclusion of the lagged dependent variable, to avoid Nickell bias.

This approach removes unmeasured country-level heterogeneity and potentially reduces endogeneity. Of course, adding country fixed effects removes the effect of cross-sectional variation from the estimation. Moreover, the slow moving nature of our inequality measures means that within-country change in inequality is more limited than between-country variation in levels of inequality. For example, the within-country sample standard deviation of Income Inequality is 2.3, compared to the between-country standard deviation of 6.6. The implication of this is that around ninety-five percent of observations *within* a country should be within a ten point range (on a Gini scale of 100) and that across countries, ninety-five percent of the country average Gini levels should be within approximately a twenty-five point range. Given this, small and less significant effects would be relatively unsurprising. Nonetheless, many countries do see significant changes on the main independent variables. For example, the Gini of Income Inequality went up by 24.8 in Israel, and down by 36.8 in New Zealand. Likewise, the Gini of Wealth Inequality increased by 9.0 in Lebanon, and declined by 26.2 in Cyprus, and Rural Inequality (a 0-1 scale) went up by .12 in Mauritius and declined by .62 in Brazil. In any case, if the conventional wisdom were true we would expect to see some sort of effect, whether within or across countries.

Once we have decided to use a fixed-effect approach, the second question is what sort of lag should we use for the inequality variables. Theory offers little guide. A one-year lag seems too short, and a ten-year lag sacrifices cases from our sample, particularly given the limited time-span of our wealth inequality data. We opted to include a five-year lag for all measures of inequality, and the same for all control variables.[7] We include as controls measures of per capita GDP (from World Bank national accounts data), the average number of years of education among citizens fifteen years or older (from V-Dem), and the year.

4.4 Empirical Results

Recall that our empirical effort is designed to test two approaches against each other. The conventional wisdom obviously suggests inequality should negatively impact the quality of democracy. Our revisionist argument casts doubt on that expectation.

Table 2 presents pooled results for all countries that meet a certain standard of democracy and using all four dependent variables. These analyses only include countries during the period in which they are counted as democracies - scoring above or equal to 6 on the Polity score, 3 on the (reversed) Freedom House indicators, or 0.4 above on the V-DEM polyarchy score. Thus the sample selection process includes countries *only* during the

[7]Running the same models with a ten-year lag changes very little: Income Inequality becomes positive in Model 8 of Table 3 below; nothing changes for either of the Freedom House variables; and Income Inequality becomes negative and significant in Model 10 for the V-Dem variable (Table 6) – but Wealth Inequality becomes positive and significant in the same model.

period that they are democracies and hence examines upward or downward shifts in the quality of democracy *conditional on remaining a democracy*. These results cast immediate doubt on the conventional wisdom, as there is absolutely no evidence that any form of inequality undermines the quality of democracy, even for Rural Inequality. There is also no evidence that inequality *improves* democracy.

Table 2: All Countries: Five-Year Lag

	(1) Polity	(2) Polity	(3) FHPR	(4) FHPR	(5) FHCL	(6) FHCL	(7) VDEM	(8) VDEM
Income Ineq	-0.022	-0.005	-0.011	-0.011	-0.011	0.001	-0.001	-0.001
	(0.017)	(0.018)	(0.024)	(0.019)	(0.021)	(0.015)	(0.001)	(0.002)
Rural Ineq	0.032		0.133		-0.233		0.026	
	(1.047)		(1.029)		(0.960)		(0.088)	
Wealth Ineq		0.004		0.012		-0.013		0.001
		(0.008)		(0.012)		(0.012)		(0.002)
GDP per cap	0.445	10.423	-6.898	18.073	-7.157	1.802	-0.033	1.885^{*}
	(11.703)	(10.029)	(17.985)	(18.266)	(12.160)	(8.418)	(1.462)	(1.108)
Year	0.013	-0.004	0.023^{**}	-0.015	0.024^{***}	-0.016^{**}	0.002^{**}	-0.002^{**}
	(0.009)	(0.007)	(0.011)	(0.010)	(0.007)	(0.007)	(0.001)	(0.001)
Constant	-15.886	16.537	-40.328^{*}	35.027^{*}	-41.247^{***}	38.270^{***}	-3.357^{*}	4.333^{***}
	(17.230)	(12.727)	(22.627)	(19.662)	(13.829)	(14.052)	(1.966)	(1.637)
N	1935	973	2521	1172	2795	1345	2103	1203
Countries	97	96	124	120	135	133	108	105

Country-clustered standard errors in parentheses. All regressions included country fixed effects.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 3 repeats the exercise from Table 2 but includes all countries if they have ever, during a previous year in the sample, been a democracy. This means we do not drop countries that, from one year to the next, drop below the thresholds of democracy we are using. (For example, in this table, a country that shifted from a 7 to a 5 on the Polity score would've been excluded from the previous table, but is included in this table.) This

Table 3: All Countries Ever a Democracy (Polity>= 6): Five Year Lag

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Polity	Polity	FHPR	FHPR	FHCL	FHCL	VDEM	VDEM
Income Ineq	-0.010	0.036	0.023	-0.008	-0.004	0.006	0.000	0.002
	(0.111)	(0.035)	(0.033)	(0.024)	(0.030)	(0.017)	(0.005)	(0.003)
Rural Ineq	-6.349		0.429		0.631		-0.296	
	(5.558)		(1.466)		(1.032)		(0.257)	
Wealth Ineq		0.001		0.002		-0.021		-0.001
		(0.031)		(0.011)		(0.013)		(0.002)
GDP per cap	-0.048	0.002	0.003	0.032	0.005	0.002	-0.001	0.003^{**}
	(0.064)	(0.033)	(0.020)	(0.020)	(0.016)	(0.012)	(0.003)	(0.001)
Year	0.069	-0.010	0.012	-0.027^{*}	0.018^{*}	-0.022^{**}	0.004^{**}	-0.003^{***}
	(0.045)	(0.028)	(0.015)	(0.014)	(0.011)	(0.009)	(0.002)	(0.001)
Constant	-129.345	25.291	-20.183	58.647^{**}	-31.175	51.467^{***}	-6.661^{**}	6.774^{***}
	(88.177)	(56.274)	(29.703)	(28.183)	(20.907)	(18.079)	(3.323)	(2.115)
N	2375	1173	2330	1085	2330	1085	2375	1267
Countries	106	105	106	105	106	105	106	105

Country-clustered standard errors in parentheses. All regressions included country fixed effects.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

means we are examining situations in which declining democratic quality means a country crosses the line back to dictatorship. Note that this still excludes countries that have never previously been democratic, and the initial year in which a country transitions *to* democracy if it had never previously been a democracy.

Again in Table 3 we see no indication of inequality of any type affecting the quality of democracy, even once we include the possibility of deconsolidation. No coefficient reaches close to conventional levels of statistical significance.

Are these results dependent on time periods? For example, citeboix2003endogenous famously argued that the findings in Przeworski (1991) that in-

Table 4: All Democracies: Before and After 1990 - Five Year Lag

	(1) Polity <1990	(2) Polity >1990	(3) FHPR <1990	(4) FHPR >1990	(5) FHCL <1990	(6) FHCL >1990	(7) VDEM <1990	(8) VDEM >1990
Income Ineq	0.012	-0.005	-0.007	0.006	0.023	-0.012	-0.004	-0.000
	(0.033)	(0.025)	(0.037)	(0.024)	(0.049)	(0.021)	(0.004)	(0.002)
Rural Ineq	-1.063	-0.451	-2.978	1.093	-1.829	0.290	0.084	0.044
	(1.751)	(1.061)	(2.015)	(1.079)	(1.729)	(0.720)	(0.155)	(0.077)
GDP per cap	-0.008	0.002	0.027	0.002	-0.002	-0.007	-0.003	-0.000
	(0.030)	(0.014)	(0.032)	(0.015)	(0.027)	(0.010)	(0.002)	(0.001)
Year	0.025	0.008	0.014	0.007	0.017	0.033^{***}	0.006^{***}	0.001
	(0.026)	(0.011)	(0.017)	(0.013)	(0.013)	(0.008)	(0.002)	(0.001)
Constant	-40.361	-7.409	-21.574	-8.430	-29.870	-59.829^{***}	-10.685^{***}	-2.037
	(50.883)	(21.131)	(34.570)	(25.093)	(25.375)	(16.206)	(3.640)	(2.375)
N	445	1490	648	1873	678	2117	455	1648
Countries	40	96	59	122	60	134	41	107

Country-clustered standard errors in parentheses. All regressions included country fixed effects.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

come does not affect the probability of democratic transitions were dependent on the latter scholars limiting their empirical analysis to the Cold War. To check for period effects, Table 4 examines the effects of income and rural inequality before and after 1990 on each of the dependent variables (data on wealth inequality are not available before 1990). In this case we use the sample selection procedure in Table 2, limiting the sample to countries that are currently democratic. While the coefficients occasionally flip in sign as we move before and after the Cold War, again none of them approach statistical significance at conventional levels. Accordingly, we have no evidence to believe that either before or after 1990 income or land inequality led to declines in democratic quality.

Our discussion above suggested, however, that we might see stronger effects of inequality (especially Rural Inequality) in poorer countries. To test this supposition, in the

Appendix we explore each dependent variable separately and split the sample into high and low–income countries. The World Bank places countries into four groups: 'low', 'lower middle', 'upper middle' and 'high' income countries. We combine the bottom two and top two categories into separate 'Low' and 'High' groups. We then run a series of analyses with the four tables examining our dependent variables in turn (Polity, Freedom House, and V-DEM).

Across all four tables there is little sign of any consistent effect of any form of inequality on any form of democracy, particularly when we include multiple inequality indicators - of the 32 coefficients on the inequality terms in Models 7 through 10 (which include multiple inequality variables), just two of them reach any conventional level of statistical significance - more or less what we would expect by chance.

These results only merit comment for their lack of support for the conventional wisdom. Using what we regard as the most theoretically appropriate statistical estimation procedure and testing the hypotheses on a variety of indicators of the quality of the institutions that support participation and contestation, we find no convincing evidence that any measure of inequality systematically undermines the quality of democracy. The more empirical holes one pokes in a theory – no matter how intuitive its appeal – the less likely it is true. Our results instead strongly imply support for our revisionist theoretical argument that inequality does not undermine the quality of democracy.

5 Conclusion

The idea that economic inequality corrodes the principle of political equality is ancient, and remains an article of faith among social scientists, as an avalanche of recent research attests. It seems intuitive that elites' willingness and ability to make a mockery of democracy's standards of fair play for all should be highest when they lead gilded lives while the masses worry about putting food on the table.

And yet, there are reasons to question this article of social science faith. It is not simply that the conventional view cannot easily accommodate the significant number of (significantly) unequal democracies in the real world. Theoretically, Dahl's calculus suggests that for elites, the benefits of tolerating democracy may actually exceed the costs of attempting to undermine it. The wealthy have good reason to prefer a system of rule of law to one where arbitrary rules apply, and democracy offers greater protections against state predation than dictatorship. The benefits of third-party enforcement of contracts are also likely to exceed the costs of some degree of redistributive taxation, relative to the potential costs of undermining the system. By and large most redistribution under democracy actually tends to benefit the people who pay the lion's share of taxes – the upper-middle and upper classes, not the poor. The connection between democracy, the rule of law and minimally progressive redistributive social spending tends to allay elites' fears about deeper potential threats to property rights.

Most contemporary research on inequality and the quality of democracy focuses on average citizens' attitudes and incentives to participate. This literature has little to say about the actual functioning of democracy – for example, whether inequality limits citizens' legal rights to participate – perhaps because it does not consider elites and their incentives. This omission has important consequences for our understanding of the relationship between inequality and democracy. As Dahl understood, average people play less of a role than elites in terms of establishing and/or changing the rules of politics. To understand whether inequality undermines democracy, we should consider the incentives of those at the top before those on the bottom, for the actions of the former are far more important for the quality of democracy lived by those on the bottom than vice versa.

When we focus on elites and their incentives and turn to core insights from research on the political economy of capitalism and on the origins of democracy, we can understand why democracy and inequality are compatible. Historically, democracy was not simply (or even primarily) a project for protecting all citizens' civil liberties. As liberals since Locke have understood, there is an intrinsic connection between suffrage rights and property rights. Democracy has evolved to include the practice of universal suffrage and the principle of universal human rights protections, yet up through the present its emergence has depended fundamentally on deals to create institutions that directly or indirectly protect property rights.

As Dahl intuited, democracy emerges and survives when elites believe the costs of repression exceed the costs of toleration. Elites "tolerate" democracy when they feel secure that their interests are safe. And they generally feel safe because they typically play decisive roles in shaping the rules of the game from the start. Democracy can coexist with economic inequality because at its emergence, elites use their influence to make democracy safe for property. Moreover, even when non-elites are party to the deal that results in regime change, the resulting political process tends to favor elites because under democracy economic wealth can be transformed into political power. In short, inequality's non-effect is programmed into democracy's DNA.

Dahl did not believe that political equality under democracy means equality of power or influence. To him political equality refers to guarantees of universal suffrage and rights to criticize the government and organize in opposition to it. We recognize that this is a limited understanding of both equality and of democracy. Yet if inequality is unrelated to a "procedural" definition of democracy, it is hardly clear why it should have stronger (negative) effects using a "deeper" definition. Given our results, it merits pondering how high inequality would have to go for elites to have incentives to undermine democracy. Likewise, how low would inequality have to go before the quality of democracy were substantially improved, moving it towards John Dewey's ideal of "self-governance for all"? It merits noting that democratic theorists have long questioned whether this possibility even exists in polities larger than a New England town or a Greek city-state. And in any case, evidence suggests that dramatic reductions in inequality are impossible within the normal confines of democratic politics (Scheidel 2017; Scheve and Stasavage 2016).

Towards the end of his career Dahl implicitly conceded that critics were right to call out his inattention to the limits of his notion of polyarchy and his work in the pluralist tradition (Bachrach and Baratz 1963; Lowi 1979; Lukes 1986; Schattschneider 1960, e.g.). Knowingly or not, Dahl's critics echoed earlier arguments from Mosca, Pareto, Michels, Gramsci and others, all of whom predicted that democracy would degenerate into oligarchy. In turn, these "elitist" critiques echoed Marx's distinction between "mere" political democracy and true democracy, a society in which the poor do not have to struggle against the rich.

The purpose of our paper is not merely to explain why inequality may not undermine democracy. It is to push the scholarly conversation about democracy's contemporary weaknesses forward. Our results imply that purely economic inequalities may be relatively less important for the quality of democracy than other factors, such as "horizontal" inequalities between cultural groups (Cederman, Weidmann, and Gleditsch 2011; Gilens 2000; Huber 2017). Perhaps economic inequality matters relatively little on its own because non-economic forms of political identity bridge socio-economic divisions and unite members of different groups together, against each other. Ethnic and religious divisions are, as Weber told us a century ago in his discussion of status groups, far more intuitive notions of group membership than economic class is.

Dahl once noted that opinions about the political consequences of inequality range from "Panglossian optimism" to "apocalyptic pessimism" (Dahl 1989, p. 266). Even a relative optimist about democracy's prospects such as Dewey (2012) conceded that democracy affords "self-governance" only to the well-to-do, leaving its promise unfulfilled for nearly everyone else. We are hardly suggesting that an unequal democracy makes for the best of all possible worlds – but given the evidence, neither can we conclude that inequality foretells democracy's doom. Although inequality appears to make a mockery of the fundamental principles of democracy, its actual effect remains unclear.

Table A1: Summary Statistics

	N	mean	sd	min	p25	p50	p75	max
Polity	9,574.00	0.72	7.44	-10.00	-7.00	0.00	8.00	10.00
Electoral Democracy	11,200.00	0.39	0.29	0.01	0.15	0.29	0.65	0.95
FHPR	7,791.00	4.22	2.24	1.00	2.00	4.00	6.00	7.00
FHCL	7,791.00	4.26	1.95	1.00	3.00	4.00	6.00	7.00
Rural Inequality	6,919.00	0.38	0.22	0.00	0.20	0.38	0.55	0.93
Wealth Ineq.	2,912.00	74.30	7.41	47.30	70.00	73.60	78.10	100.00
Income Ineq.	13,923.00	41.14	8.50	15.90	34.94	40.92	46.14	74.30
GDP per Capita	8,719.00	6,841.96	14,245.73	34.74	445.61	1,510.02	5,968.98	192,989.19
Education	9,658.00	5.23	3.27	0.00	2.44	4.95	7.91	13.48

Table A2: Polity: Five-Year Lag by Income Groups

	(1) Low	(2) High	(3) Low	(4) High	(5) Low	(6) High	(7) Low	(8) High	(9) Low	(10) High
Income Ineq.	-0.009	-0.036**					-0.028	-0.040**	0.023	-0.034
	(0.032)	(0.016)					(0.039)	(0.017)	(0.032)	(0.020)
Rural Ineq.			-2.093*	-1.919***			-0.540	0.505		
			(1.234)	(0.703)			(1.715)	(1.495)		
Wealth Ineq.					-0.024	0.006			-0.049	0.004
					(0.050)	(0.009)			(0.042)	(0.007)
GDP per cap	-31.700	-0.648	-61.407	-4.194	-63.059	4.783	-118.986	-4.284	-14.749	2.328
	(54.831)	(15.851)	(65.224)	(8.780)	(73.228)	(4.463)	(112.678)	(11.936)	(70.531)	(4.102)
Year	0.005	0.016	-0.004	-0.003	0.024	0.000	0.010	0.021**	0.010	0.003
	(0.012)	(0.012)	(0.012)	(0.006)	(0.021)	(0.005)	(0.017)	(0.010)	(0.016)	(0.006)
Constant	-2.120	-21.626	16.899	15.526	-39.644	7.969	-9.476	-31.007	-9.810	4.849
	(24.712)	(23.296)	(23.908)	(11.649)	(40.024)	(11.133)	(35.060)	(19.020)	(29.892)	(12.587)
N	809	1472	952	1878	325	577	654	1225	312	565

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A3: Political Rights (FH): Five-Year Lag by Income Groups

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Low	High	Low	High	Low	High	Low	High	Low	High
Income Ineq.	-0.020	-0.015					-0.012	-0.026	-0.015	0.006
	(0.038)	(0.020)					(0.054)	(0.022)	(0.039)	(0.017)
Rural Ineq.			-0.436	-0.938			0.667	0.479		
			(0.914)	(1.565)			(1.313)	(1.673)		
Wealth Ineq.					0.027	-0.000			0.039	0.000
					(0.032)	(0.008)			(0.034)	(0.008)
GDP per cap	-66.748	-2.617	-98.388	3.040	-1.435	27.682*	-103.872	-3.436	9.996	28.064
	(61.896)	(22.638)	(70.244)	(14.388)	(90.409)	(15.084)	(101.531)	(23.090)	(92.023)	(18.013)
Year	0.021**	0.015	0.018	0.009	-0.008	-0.024***	0.033**	0.023	-0.013	-0.024**
	(0.009)	(0.018)	(0.011)	(0.011)	(0.022)	(0.009)	(0.014)	(0.018)	(0.022)	(0.010)
Constant	-36.863*	-23.562	-29.895	-12.212	18.674	54.113***	-59.696**	-37.742	29.229	53.821***
	(18.806)	(35.969)	(21.783)	(20.777)	(43.485)	(17.249)	(28.651)	(34.437)	(42.774)	(19.890)
N	1371	1692	1621	1526	513	702	1127	1318	490	665

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A4: Civil Liberties (FH): Five-Year Lag by Income Groups

	(1) Low	(2) High	(3) Low	(4) High	(5) Low	(6) High	(7) Low	(8) High	(9) Low	(10) High
Income Ineq.	-0.016	-0.015					-0.021	-0.020	-0.013	0.022
	(0.024)	(0.024)					(0.029)	(0.027)	(0.022)	(0.018)
Rural Ineq.			-0.306	-1.331			0.800	-0.746		
			(0.486)	(1.840)			(0.828)	(1.946)		
Wealth Ineq.					-0.060**	-0.004			-0.054*	-0.001
					(0.027)	(0.007)			(0.030)	(0.007)
GDP per cap	-38.769	-7.265	-34.377	1.129	6.291	1.494	-38.389	-5.018	25.596	-7.289
	(27.101)	(19.616)	(53.546)	(13.054)	(75.354)	(8.102)	(43.884)	(17.431)	(77.771)	(8.010)
Year	0.020***	0.025	0.016**	0.012	-0.013	-0.009	0.030***	0.020	-0.020	-0.003
	(0.006)	(0.016)	(0.006)	(0.013)	(0.014)	(0.007)	(0.008)	(0.013)	(0.015)	(0.006)
Constant	-35.161***	-43.290	-27.657**	-18.170	34.661	24.032	-54.646***	-33.073	48.893*	11.886
	(11.654)	(31.708)	(12.837)	(24.864)	(26.694)	(14.491)	(15.081)	(26.259)	(29.324)	(12.494)
N	1632	1755	2006	1623	637	777	1335	1367	607	712

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A5: V-Dem Electoral Democracy: Five-Year Lag by Income Groups

	(1) Low	(2) High	(3) Low	(4) High	(5) Low	(6) High	(7) Low	(8) High	(9) Low	(10) High
Income Ineq.	-0.002	-0.001					-0.001	-0.001	0.000	0.002
	(0.004)	(0.001)					(0.005)	(0.001)	(0.005)	(0.003)
Rural Ineq.			-0.166*	-0.186			-0.004	0.078		
			(0.097)	(0.159)			(0.108)	(0.130)		
Wealth Ineq.					0.004	-0.000			0.004	-0.000
					(0.007)	(0.001)			(0.007)	(0.001)
GDP per cap	2.722	1.117	1.521	-0.213	3.053	2.503***	-4.359	1.056	2.646	2.850***
	(4.282)	(2.101)	(5.731)	(1.273)	(8.784)	(0.696)	(7.035)	(2.007)	(8.841)	(0.744)
Year	0.002***	0.001	0.002	0.002***	0.000	-0.002**	0.003**	0.001	0.000	-0.002**
	(0.001)	(0.002)	(0.002)	(0.001)	(0.002)	(0.001)	(0.001)	(0.001)	(0.002)	(0.001)
Constant	-4.180***	-0.676	-3.055	-3.819**	0.166	4.653**	-5.731**	-1.652	-0.036	5.354**
	(1.389)	(3.095)	(3.419)	(1.707)	(3.316)	(2.012)	(2.579)	(2.760)	(3.420)	(2.160)
N	996	1560	1148	1963	422	638	797	1247	405	612

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

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