

On “Inequality Traps” and Development Policy¹

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There are inequalities in the world, among individuals and among groups, that get reproduced across generations. In the World Development Report 2006 these are referred to as “inequality traps.” But how does an inequality trap differ from a poverty trap? Speaking a little facetiously – if a poverty trap describes a situation where “the poor are poor because the poor are poor,” an inequality trap would say that “the poor are poor because the rich are rich.”

Inequality traps are similar to poverty traps in that they serve to keep people poor and destitute. But they differ from them in that they refer to a reinforcing system of economic, political and social structures that lead to what social scientists have called “durable inequality².” Poverty traps tell us about situations where people at the low end of the income distribution are stuck in a cycle of poverty because a lack of resources generates more resources constraints. Inequality traps, on the other hand, describe situations where the entire distribution is stable because the various dimensions of inequality (in wealth, power and social status) interact to protect the rich from downward mobility, and to prevent the poor from being upwardly mobile.

An easy way to see this is to consider the status of women in patriarchal societies. Women are often denied property and inheritance rights. They also have their freedom of movement restricted by strictly enforced social norms that serve to create separate “inside” and “outside” spheres of activity for women and men respectively. The consequence of this is that girls are less likely to be sent to school, and women less likely to work outside the home. This reduces the options for women outside marriage and increases their economic dependence on men. All this not only makes women earn less than men, it also makes them less likely to participate in important decisions both within and outside the home. In other words men are “rich” while women are “poor.”

This nexus of unequal social and economic structures tends to be easily reproduced. If a woman has not been educated and has grown up to believe that “good” “decent” women abide by existing social norms, she is likely to transmit this to her daughters and to enforce such behaviors among her daughters-in-law. Thus an inequality trap is created which prevents generations of women from getting educated, restricts their participation in the labor market, and reduces their ability to make free, informed choices and realize their full potential as individuals. This reinforces gender differences in power that tend to persist over time.

¹ This essay is a summary of the arguments in Rao and Walton (2004a and 2004b) which provide more thorough expositions.

² Tilly (1999).

The unequal distribution of power between the rich and the poor – between dominant and subservient groups, helps elites maintain control over resources. Consider an agricultural laborer working for a large landlord. Illiteracy and malnourishment are likely to make him unable to break through the cycle of poverty. But he is also likely to be heavily indebted to his employer which puts him in the landlord’s control. Even if there were laws in place that would allow him to challenge his landlord’s dictates, being illiterate he would find it particularly hard to navigate the political and judicial institutions that would help him assert his rights. In many parts of the world this distance between landlords and laborers is compounded by entrenched social structures – landlords typically belong to a dominant group defined by race or caste, while tenants belong to a subservient group. Since these members of these groups face severe social constraints to inter-marrying – group-based inequalities are perpetuated across generations.

Economic and political inequalities do not occur in a vacuum. They are embedded within unequal social and cultural institutions. The social networks that the poor have access to are substantially different from those that the rich can access. For instance, a poor person’s social network may be primarily geared towards survival with limited access to networks that would link her to better jobs and opportunities. The rich on the other hand, are bequeathed with much more economically productive social networks that facilitate the maintenance of economic rank – for instance parents are able to use their social connections to ensure that their child gets into a good school, or call up a few good friends to make sure that their son gets a good job, while poor parents are more subject to the vicissitudes of chance. Connections open doors and reduce constraints. Thus, social networks constitute a form of “capital” which is unequally distributed.

Social networks are closely allied with cultural factors. By “culture” we mean those aspects of life that deal with “relationality” – the relationships among individuals within groups, among groups, and between ideas and perspectives. Subordinate groups may face adverse “terms of recognition³” - the cultural framework within which they negotiate their social lives. One obvious expression of this is explicit forms of discrimination which can lead an explicit denial of opportunities and to a rational choice to invest less on the margin.

But it can also be less overt. A person born into a low social class or an excluded group may internalize the dominant group’s value system. Religious beliefs may help in this process of internalization – women may take on gendered beliefs on their economic and social role, discriminated castes may absorb the view that upper castes have on their “inferior” status. This may also be transmitted via institutionalized mechanisms such as schools – a discriminated race may face a “stereotype threat” where they internalize the view that the dominant race has on their ability to perform in standardized tests, or in occupations that have historically been controlled by dominant groups⁴. This can affect a discriminated group’s “capacity to aspire⁵” – the better-off are better able to navigate

³ Appadurai (2004)

⁴ Steele (1999)

⁵ Appadurai (2004)

their way towards potentially actualizing their aspirations. It also implies that “voice,” the capacity of an individual to influence the decisions that shape their lives, is also unequally distributed and that “effort” and “ability” are not necessarily exogenous⁶.

Thus, economic, political, cultural and social inequalities are usually correlated and reinforce one another. An individual born a woman or into a discriminated racial group or region is not only more likely to be poorer than someone born into the majority group, he or she is also more likely to be at the receiving end of material and symbolic power structures that restrict their access to economic opportunities, to legal rights, to opportunities to make their voices heard, and to a reduced risk of violence.

This has two important implications for public action:

- from a focus on individuals to a recognition that relational and group-based phenomenon shape and influence individual aspiration, capabilities, and agency;
- to provide for debate and decision-making when there are several distinct culturally determined perspectives, and in particular, assure that poorer, subordinate groups have voice and opportunities for redress.

Implications for policy

Development initiatives need to be shaped in ways that recognize the relative disempowerment of weaker or subordinate groups in cultural, economic and political terms. This approach involves understanding how context matters in ways that are conditioned by such inequalities and the need to design public action in ways that foster greater “equality of agency” with respect to social hierarchies, including those involving public, private and international actors.

Policy design

At the level of the policymaker, a point of departure is the recognition that actions occur within unequal social, cultural and political structures. Since a core concern is the lack of influence or agency of poorer or excluded groups, policy choices to compensate for this are likely to be an important element of strategy.

To understand local conceptions of well-being the recipients of public action need to be engaged as central agents in the formation and implementation of policy. This implies that the theory and practice of development will be more difficult and, necessarily, more participatory. However, it also implies that participation in itself is not a panacea, precisely because of the social inequities inherent within group-based relations. This, consequently, leads to a proposal that should be self-evident, but is rarely put into

⁶ See Rao and Walton (2004) for more on such “inequalities in agency.”

practice in multi-lateral agencies: social and historical analysis should inform policy design just as much as economic analysis and they should be placed on an equal footing.

Learning by Doing and the Incorporation of Context

Political and culturally informed public action is not easy. The process requires paying close attention to context in shaping interventions both globally and locally. It therefore argues against the idea of “best practice” -- that an intervention that worked wonders in one context would do the same in another. Good interventions are very difficult to design ex-ante. A cultural lens thus teaches us that public action, particularly when it is participatory, aspiration-building and aware of “common-sense”, requires an element of experimentation and learning. Ironically the best practice may be the absence of a best practice.

Projects need to be closely monitored and evaluated, not just in terms of their impact but also in the processes that led to that impact in order to understand how they can be shaped and modified in a manner that matches the diversity inherent in the local cultural context. All projects will make mistakes, but so long as these mistakes are recognized and the lessons from them incorporated into the next stage of design, this helps incorporate common sense into the development process.

A key lesson is that development is not easy. It is, at its core, a political, social and cultural process that requires a slow process of learning from the ground-up in order to be effective and sustainable. A development culture that forces projects to be completed in 2 or 3 years before they are either rapidly and meaninglessly scaled up, or abandoned, is not conducive to social change or to learning-by-doing.

Shaping institutions to manage difference

The recognition that societies consist of different groups, often structured in hierarchies, with unequal social and cultural capital, suggests that mechanisms of inter-group exchange and deliberation need to be set up in a manner that changes the “terms of recognition.” In this area, as in many others, there are no magic institutional solutions. One possibility is to employ “deliberative democracy” as in the participatory budgeting process developed in Porto Alegre in Brazil—but this has some preconditions. The promotion of democracy is key, but in order for democracy to work at the grass-roots, it has to be deepened and local institutions need to be transparent even to people at the lowest rungs of society.

Similarly, effective education initiatives may need multi-cultural designs with curricula that are tailored to reflect the reality and lingua-franca of students rather than of elites who tend to design curricula. Comparable arguments can be made for the design of health projects, commons management, etc. The recognition that sub-groups can often have conflictual interactions leads to the need for effective methods of conflict management – for instance, mechanisms for inter-group dialogue and opportunities for

social and cultural interaction, and fair and effective courts that can adjudicate differences and which poor communities can easily access.

International policy and the behavior of external agents

How can international action become more culturally attuned? The issue is most commonly framed in terms of the policies and cultures of international agencies, such as the World Bank, the IMF, and the World Trade Organization, though it also applies to the whole range of external actors, from bilateral donors, to UNESCO, international non-government agencies such as OXFAM and multinational companies. I touch on three areas here:

Supporting Development design within countries.

The discussion of implications for local public action applies with equal force to the international sphere. Policy design needs to take account of local conditions, including the interaction between culture, power and economic structures. This does not mean eschewing generalization from international experience or giving up the documented lessons of history on economic and social change. Indeed a central function of such agencies should precisely be the sharing of knowledge - by understanding situations and processes by which policies can be made more effective in improving the conditions of the poor. However, the debate over what makes effective policy within a country has to be informed by a process of dialogue and deliberation within the country – rather than the mindless force-feeding of “best practice” guidelines that are little informed by the social and historical context.

International policy design. An Inequality Trap perspective is directly relevant to some areas of international policy. Trade liberalization and foreign investment are typically desirable for income and employment objectives, but the effects of enforced globalization on the living conditions and aspirations of workers can be complex. Typically the diagnostic frame of an inequality trap would not suggest reversing globalization, but strengthening the agency of adversely affected domestic groups to influence their capacity to influence, choose, or gain from the consequential economic changes. Thus in arguing for the benefits that may accrue from more open markets, the seismic cultural shifts that would ensue should not be ignored, particularly when they may result in new forms of domination and control. This is not to say that cultural dimensions of integration are always either inequalizing or homogenizing -- cross-cultural interactions could also be enriching and productivity enhancing .

Institutional cultures. Last, but not least, we need to consider the cultures of the institutions themselves. Tales of arrogance in the interactions between international or bilateral agencies and their “clients” abound. Some would suggest the ease by which borrower countries adopt the ideological fashions of international development agencies is an example of internalized discrimination. Small, less affluent countries eager for a loan are particularly vulnerable to this. However, there is an increasing self-awareness

within the organizations of this issue. Recent policies in the World Bank and elsewhere have been seeking to change the asymmetry of dealings with client countries and enable a shift towards a culture of partnership and mutual learning with countries. But while institutional cultures are dynamic, they also take time to change, and this change is helped by being conscious and aware of inequities of agency within the world of development policy.

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