



DISC WORKING PAPER SERIES

DISC WP/2008/I

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A horizontal banner image showing a sunset sky with a silhouette of a statue on a pedestal in the foreground. The text is overlaid on the left side of the image.

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Implications of new inequalities on the qualities of democracy*

Julia Szalai

The rise of a new discourse

The state of inequalities has been for long one of the most important measures of the performance of the welfare state. Despite an unchallenged importance of the concept, the frameworks and dimensions of analysis have shown, however, great variations over time and their shifts reflect crucial historical changes. Since the current “rediscovery” of the importance of inequalities in shaping the qualities of democracy is informed by meaningful conclusions of past debates and policies, it is perhaps useful to briefly overview how the perception and phrasing of the problem has changed during the recent decades.

Up until the mid-1970s, the speedy reduction of the classical inequalities along class-lines was a primary goal of designing the new invention of the Western democracies: the welfare state. Though there were great variations in the actual legal and institutional solutions, the claims to enrich citizens’ *social rights* and to establish equality in the extent and content of these rights were more or less universal. Likewise, there was a general conviction that it was the nation-state that could be the most powerful agent in reaching the envisioned goals of equality: claims were widely expressed to broaden the scope of institutional guarantees and legal arrangements under the auspices of elected parliaments and governments. In this vision, the extension of social rights seemed to be identical with the betterment of democracy, and both were seen to be safeguarded by the state as the institution of general trust and impartial justice.

However, the late 1970s brought about a strong wave of disappointment. In addition to a general slowdown of economic growth that seriously challenged the sustainability of the large and expensive state-structures of the preceding times, criticisms from the left and the right questioned the legitimacy of the state’s far-reaching power and its rule over the daily

* This paper reviews trends, facts, ideas and policies that are discussed in detail by an exceptionally rich collection of scholarly works, organizational reports and policy documents. The abundance of the literature would have endangered legibility by adding long lists of reference to nearly each sentence and paragraph. To avoid such a trap, a selected bibliography at the end is aimed to provide the list of major sources of the present discussion.

life of the citizenry. According to these critical views, the given arrangements proved inefficient in substantially reducing the inequalities of income and wealth, they did not succeed in eliminating poverty, and at the same time, the extension of state power concluded in over-bureaucratization and the endangerment of democratic control. Much in response to these widely echoed arguments, the subsequent two decades reformulated the claim for more equality in a new framework that meant a return to the classical ideas of individual freedom. The liberal era of the 1980s and the 1990s saw the *entrepreneurial and competitive individual* as the agent of social development, and claimed equality of opportunities for his/her most successful economic, social and political participation. In line with this, it was not only the retrenchment of state finances, but a claim for institutional withdrawal of the state that guided policies of denationalization, swift decentralization and new entrepreneurial experiments in the private domain. The new convictions and policies soon became crystallized in the form of the Washington Consensus: the bible for actions of aid and support in the hands of the most powerful supranational bodies – the World Bank and the International Monetary Fund. Their role in international finances and investment soon became a primary factor in shaping the welfare states of the latecomers in Asia, Latin America and Central and Eastern Europe.

However influential the new liberal conviction was, some of its basic premises have proven false within a short time. Firstly, the primacy given to economic growth did not automatically conclude in a general improvement of the living conditions: in sharp contrast to the initial hopes, inequalities of income and wealth have been on the rise which fact seriously questioned the efficiency of the prevailing second-order policies for equal opportunities. Even more disturbing was the general experience of the latecomers: poverty did not wither away, but proved to increase and deepen in countries whose governments introduced institutional reforms in the spirit of the Washington Consensus. In addition to all this and not independently from the powerful application of the new neoliberal policies in utterly different historical and political settings, increasing inequalities between the North and the South have created serious new tensions on the stage of world politics. Simultaneously, intensified flows of migration from the poorer parts of the world toward the richer countries drew attention to new types of inequalities: in addition to the recurrently accentuated inequalities by class, sharp social differences by ethnicity called for the need to reformulate the notions of citizenship and equality of democratic participation.

Though the strong influence of neoliberalism is still maintained in the developing world, in recent years, an ever more visible wave of new criticism has brought back the issue of equality to the central stage of politics and policy-making. Still, the new criticism does not represent a return to the pre-1970 era. It does not deny the importance of economic adjustment and does not claim the re-strengthening of the state per se. Instead, it conceptualizes the notion of equality as a matter of democratic right, in other words, it puts emphasis on the *political* aspects of citizenship. The main argument is that economic inequalities can easily end up in social deprivation and exclusion which, in turn, create a class of secondary citizenry confined to subordination and social, political exclusion. Such a fault-line in civil society might deeply endanger social cohesion and, in case of relatively weak democratic traditions, might strengthen autocratic tendencies thereby jeopardizing democracy also on the institutional level. In the context of this new criticism, policies for reducing old and new inequalities are assessed, in the first place, through their political implications. Hence, the principles of the various policies and initiatives are discussed primarily in the framework of the relationship between the state and society. Given this relational frame of reference, the new discourse puts less emphasis on innovative public institutions and overarching legislation than the old pre-1970 ideas on the creation of the welfare state did. At the same time, it emphasizes the exploitation of yet under-utilized potentials within the given settings, and dedicates increased weight to civil agency in articulating new but underrepresented needs, gaining recognition for them and controlling the means and ways of their fulfillment.

Whether the gradually forging new policies are efficient enough to keep inequalities under control depends on two broad sets of issues. On the one hand, it is the profoundly changed qualities of contemporary inequalities that urge for revisiting the content and means of the prevailing arrangements in redistribution. On the other hand, it has to be asked, how far are the new inequalities correctable at all through the old channels and institutions of redistribution, and how much can the efficiency of redistributive interventions be increased through incorporating the innovations brought up by the new movements and initiatives of civil society.

Let me elaborate on these issues in the two subsequent sections below.

On three new sets of inequalities

Although the “rediscovery” of inequalities as the driving factors and warning signals of certain imperfections of democracy is a global process with important implications on

policies as much on the supranational as on the regional or, for that matter, on the national level, the restricted framework of the present brief paper does not allow me to elaborate on all these dimensions. Instead, let me limit the discussion to some of the new inequalities shared by the welfare states of the European continent and make a few comments on the commonalities vs. differences in their manifestations between the old democracies of the West and the new ones of the East.

As the statistics of the OECD and the United Nations show, all over Europe, inequalities in income and wealth have been on a steady rise for the past decade, moreover, they have shown sharpening departures by class and gender. At first glance, nothing seems new about these trends: they simply look as a return to the old well-known patterns. Accordingly, one would be inclined to explain these findings by the re-strengthening of the old structures of property, power, and socio-economic status. Such an explanation would smoothly fit into the critique over the neoliberal policies: after all, it appears as “natural” that serious reductions in taxation, the vast denationalization of earlier state-delivered services and a continuous retrenchment of public expenditures give easy way to accentuated differentiation along the major dimensions of social stratification. While there is a good deal of truth in such an argumentation, at greater scrutiny, one has to admit that in addition to the old socio-economic forces, there is, however, a major new factor at play here: the increasing role of educational attainment which, in turn, reflects new developments in technology and production. The new technologies make sharp divisions: it is high qualification and modern knowledge that they reward with stable positions in production, and rapidly squeeze out what and whom they regard “outdated”. Lowering access to work of the less educated, relatively high and irresistible rates of chronic unemployment, quick spreading of atypical forms of employment all signal an increased segmentation of the labor markets. At the same time, the marginal positions in production induce equally marginal position in the community: falling out of the mainstream in employment becomes the ground of poverty and social exclusion and thus concludes in loosening ties to the world of democratic polity.

It goes without saying that the indicated processes of technological change are of a global character. Still, their implications are far from being evenly distributed among regions and countries. Within Europe, the sectional as opposed to national implications create perhaps the major demarcation line between the Western and Eastern halves of the continent. While in the West, the above-indicated fault-lines have emerged between

identifiable segments of society, the shock-like devaluation of the existing knowledge and skills affected the once state-socialist societies of Central and Eastern Europe at large. In the 1990s, their opening to the world market brought about the rapid closing down of some 30-40 per cent of the jobs, rates of full-time employment fell to some half of the original, ratios of unemployment have stabilized in the two-digit range, and the traditional informal economy turned to an organic part of uncontrollable production. Amid these conditions, competition on the labor market has grown to a matter of life and death. It is a natural consequence that lowering taxes, shrinking state revenues and an atmosphere lacking solidarity have easily given way to the emergence of new ghettos of poverty that are maintained and reinforced by ghettoized forms of second-order social protection. All in all, the postsocialist variants of the first set of inequalities appear in an effective bifurcation of the social order that creates the ground for institutional developments along a hierarchical interpretation of citizenship.

Though their appearance is perhaps sharper in the East than in the West, the regional differences are more gradual in case of the second type of new inequalities: those between generations. As it is widely discussed in the literature, one of the most worrisome consequences of the important demographic changes of the past decades is the sharpening of a set of distributional conflicts between the elderly and the young citizens of the welfare states. Beside its many positive consequences, the significant rise of life expectancy, the substantial extension of people's active phase of life, the implied claims on the pension systems, and, last but not least the slowing down of generational replacement on the labor market have induced generational biases in the working of the welfare states: while poverty and insecurity of the elderly citizens has been substantially reduced, new risks and new forms of deprivation have appeared on a mass scale among the young. High rates of youth unemployment, growing child poverty, increased generational inequalities of income and wealth signal these new developments that understandably conclude in sharply contrasting claims for reforms of the classical institutions of social protection. The political consequences are also significant: reports call attention to declining voting rates among the young, while public opinion polls indicate their increasing distrust in the institutions of political democracy.

Though it is difficult to establish a hierarchical order, still it is perhaps the third type of new inequalities – the new wave of deepening ethnic differentiation – that has the most immediate troublesome consequences for the qualities of democracy. Although the

inequalities in question characterize both the Western welfare states and those of the postsocialist region, neither their roots nor their manifestations are the same.

As to the West, it is the vast process of intercontinental and inter-country migration that has called for the rethinking and partial re-tailoring of the established institutions of the welfare state. While migrant labor has been extensively invited to fill the positions in the lowest segments of the labor market and thereby assist the upward mobility of vast groups of the host nations, the very process of migration has induced racist sentiments and has strengthened reluctance in guaranteeing full access of the “newcomers” to public and social services. Cultural diversity has often been used as a euphemism for social segmentation and political subordination. As it is well known, these tendencies have been accentuated amid the general fear from terrorism that, in turn, gave justification to a wide popular revision of multiculturalism and to new attempts at all-round separatism. On top of the spreading symptoms of deprivation and exclusion along ethnic lines, inequalities by ethnicity frequently go hand in hand with sharp differentiation by social class. As it is demonstrated in the literature, it is mainly the youth of minority ethnic groups who are the victims of low education and the accompanying threats of unemployment and poverty. Furthermore, the spontaneous exclusion of poor ethnic groups from equal participation in democratic politics adds to the weakening of the involved institutions: as reflected by the increased influence of the racist radical right in several Western countries, it is the very fundamentals of the postwar democracy that become challenged in the name of “too much liberalism” toward migration.

As to the Central and East European region, it is its indigenous Roma population in the first place that has become the primary victim of ethnic/racist differentiation. The current harsh segregation and massive social exclusion of Roma can be interpreted as a backlash of the failures of forced assimilation under state-socialism that forcefully broke the ties of traditional rural communities and extended compulsory full employment without establishing the conditions of meaningful integration. To a large extent, Roma took a similar role to that of migrants in the West: by occupying the least qualified and least secure jobs on the labor market, they liberated new channels of upward social mobility for the majority. This historic function collapsed with the change of regime: it was Roma in the first place who lost employment on a mass scale and who never have been reintegrated ever since. Extremely high rates of chronic unemployment are coupled with deep poverty and residential segregation: the past two decades witnessed the re-appearance of ethnic ghettos

all over the place. Expulsion from the world of organized labor is turned to all-round social exclusion by the highly selective measures of decentralized welfare and, above all, by the new institutional forms of discriminatory differentiation in education. As a number of studies revealed, the scissors of educational inequalities have substantially opened during the past decade that in itself has proven a strong factor of intergenerational transmission of deep poverty and drastic social exclusion on ethnic/racial ground. All these symptoms are accompanied with widespread racism that provide strong backing to policies of segmentation and that hinder attempts at social reintegration. The case of Roma has grown to an emblem of the manifold failures of postcommunist transformation: it reflects the fragility of citizens' rights; testifies the racist character of the weak new welfare states of the region; and calls attention to the easy way of how ethnic inequalities turn to harsh conflicts of class between the well-to-do and the poor.

The above briefly outlined three sets of new inequalities face European democracies with markedly different tasks. What is common in them is the relatively narrow path that traditional policies of redistribution can take in attempts at reduction. At the same time, the new inequalities seem to invite earlier unknown initiatives on the part of civil society. Though the contours of a new division of roles between the state and society are still rather pale, it is perhaps worth making an account of a few promising recent developments.

The contours of new policies: new roles of the state and civil society

As it is known from the history of postwar social policy, the classical institutions and measures of the advanced welfare states developed around the social and political conflicts that income inequalities generated, thus it was the redistributive role of the state that was in the forefront of policy discourse and institution-building. These developments were reflected in deeply structured programs of social security that were designed to keep income inequalities within socially and politically tolerable limits by providing provisions for all those who, for one reason or another, did or could not participate in the market. The above discussed new inequalities have induced remarkable shifts within the prevailing setting. Neither the consequences of devalued knowledge, nor those of emerging intergenerational tensions, nor the new ethnic conflicts could be mitigated through the classical programs of social security. Instead, they have pulled public interest to new domains formerly outside the scope of state intervention and call for new division of roles between the state and civil society.

One of the most remarkable shifts can be noticed in approaches to education. While increased importance of high-quality knowledge has intensified the claim for expanding public expenditures on education and training, still it is less the quantity but the quality of education that has occupied the focus of recent policy debates. Educational authorities are urged to launch programs for extra-curricular training, and legislatures are pressed to create a legal environment where it is less the certificates and diplomas and more the empirically demonstrable aspects of knowledge and practice that open the doors for employment and advancement. Related to the claims on making education more accessible to people in different age-groups and with diverse living conditions, the governments are pressed also to become leading agents in job-creation. It is seen a new public responsibility to take part in the market: powerful policies for public investment are outlined to open up new arenas in relatively neglected segments of public services and a set of accompanying financial programs are elaborated to make the business profitable also in strict material terms. In addition, tax-exemptions and other measures of easing the burdens of the employers are urged to make certain forms of employment attractive to capital: a new partnership between the state and the market is in the making that relies on the conviction that the diminution of the new inequalities requires collective efforts of all major actors of society. In this new vision, great emphasis is put on new roles of the civil society. The mushrooming new forms of education are grounded in civil initiatives: lifelong learning associations, distanced classes, self-organized study-groups are set up to provide new knowledge and training. In return, their only claim is recognition: it is the above-mentioned legislative activity of the state that should assist in the fair acknowledgement of these non-degree forms of education. In addition to their roles in shaping the distribution of knowledge, the civil movements around education have an important role also in informing and influencing the public discourse. Recent extensive debates about the nature of new inequalities on various fora of the European Union and in the national media have led to a fruitful updating of the notion of social justice, while they have assisted in providing a useful vocabulary also to develop a new dialogue between generations. It is perhaps too early to evaluate the importance of these new initiatives. Nevertheless, the enactment of Lifelong Learning among the official programs of the Lisbon strategy of the European Union signals important influence of a vast, though loosely organized civil movement. Likewise, the setting up of the European Youth Forum with the aim of empowering young people in participating in shaping European-level policies is the

manifestation of strengthening representation and a new generational potential in lobbying for matters of generational interest.

While these and similar initiatives help to unite cross-border efforts in articulating new policies in response to the new inequalities along the distribution of knowledge and generational lines, respectively, much less can be said about their counterparts on the national level. As the newly published results of the regularly repeated PISA-surveys show, recent increase in investments into education has not yet paid in improved performance of the students. At the same time, countries with traditionally high spending on education perform better and these are the very countries where new forms of accessing knowledge are also developed. It is not surprising that such promising results arrive mostly from the West. While some of the postsocialist states have increased spending on education (Poland and the Czech Republic are the leaders in this regard), these favorable developments have been accompanied by a simultaneous increase of inequalities along the institutional structure and the re-appearance of marked segregation by class and ethnicity in the lower echelons of the educational system. Furthermore, high unemployment and the mentioned vast devaluation of the labor force urge for fire-fighting interventions in the field of immediate job-creation that often induce heated competition for the available resources on the local level: instead of concerted efforts, rival claims for investment into new jobs as opposed to training generate a strange race between the present and the future.

While new inequalities in the distribution of knowledge and among generations have induced policies without questioning the fundamental structures of the postwar welfare states, sharpening inequalities along ethnicity have faced the European democracies with the urgent need to reconsider their very foundation: the notion of citizenship. Widespread experience about 'minoritization' has called the attention to the interplay of class and ethnicity in forcing large groups to the margin and in depriving them from equal access to jobs and services. In response to these experiences, recognition of tacitly devalued group identities has grown to a major political claim: in ever widening circles, due recognition as the base for fair share in redistribution has grown to a primary concern.

The spreading new social movements in struggles for recognition of ethnic identities have had their impact on state-level policies and decision making. Two important recent developments have to be mentioned in this regard.

The first are the new structures to protect against discrimination. In addition to the introduction of laws against discrimination on the national level, the recent decade has

brought about the development of powerful anti-discrimination policies also on the European stage. Following the Amsterdam Treaty of 1999, a number of new bodies have been set up to regularly watch and report cases of ethnic/racial discrimination and to urge powerful actions for their elimination. Much in line with these developments, new NGOs and civic initiatives have been organized to control the states' activities in the field of legal actions against discrimination. The close collaboration between the nation-states and the local civil organizations has concluded in new arrangements in decision-making: civil organizations working in the fields of human rights and anti-discrimination politics have been invited to participate in preparing legislation, moreover their reports have been taken as primary grounds to devise educational and labor market policies with direct implications on ethnic relations.

The second important recent development is in close correlation with these new arrangements: it is the emergence of new policies for social inclusion. Not incidentally, the new policies focus on education and assist opportunities for labor market participation through efforts in the arena of the distribution of knowledge. In contrast to past policies rooted in notions of integration through assimilation, the new policies deliberately put an emphasis on ethnic differences in culture and aspirations. In addition to organizing units of public education in an ethnically conscious way to ensure equal treatment and opportunities, multicultural curricula and varied schemes of financial support are designed to attain maximum inclusion of ethnic youth in education. However, these efforts are decentralized and remain mainly on the local level. Hence, their success shows great variations within the countries. As it is unanimously shown by recent surveys, attempts at inclusion tend to fail in areas where the poorest and most deprived groups of ethnic minorities live. As a consequence, while ethnic inequalities might be powerfully reduced through community-based policies for inclusion in education, the very same efforts might unwillingly contribute to the intensification of class inequalities within the ethnic groups they aim to assist.

While efforts to strengthen anti-discrimination policies and introduce educational programs for social inclusion can be reported from both halves of Europe, marked differences in the nature of ethnic inequalities generate also remarkable variations in the foci of policy responses. In contrast to the Western practice of framing policies around the notion of citizenship, it is the classical question of poverty that navigates thinking and decision-making in the new democracies. In other words, policies in an attempt to reduce inequalities by ethnicity remain in the traditional arena of redistribution, and concentrate on

measures of poverty alleviation. As a most serious consequence, issues of ethnic identity are dangerously mingled with deprived social standing and question the legitimacy of struggles for equal citizenship. It seems that the reduction of poverty makes struggles for minority rights purposeless, and vice versa, the legal guaranteeing of minority rights is misleadingly believed to be a powerful substitute for redistributive policies toward decreasing poverty and social exclusion. Not independently from such confusions in the conceptualization of the problem, neither the new laws on anti-discrimination, nor the new institutions for minority protection have proven efficient in slowing down the unstoppable increase of ethnic inequalities all over the place. At the same time, new welfare policies laden by tacit concerns on ethnicity have contributed to the deepening of poverty and exclusion: the pulling out of local welfare assistance from the universal schemes of social security has concluded in the creation of ethnic ghettos of services and their clientele. On top of all this, heated rivalry among the poor with different ethnic belonging has contributed to the weakening of class solidarity and has turned large groups against policies of social inclusion. As a general consequence, anti-poor and anti-Roma sentiments are ruling the public discourse and it is the ever-strengthening individualization of the responsibilities that gives ideological backing to recent substantial cuts in welfare and a simultaneous curtailment of the role and power of minority self-governments. In this atmosphere, although present on the stage of politics also in the postsocialist region, the above described new civil organizations and civic initiatives remain rather powerless. Their limited influence is clearly shown by the fact that despite the decisions of the Strasbourg Court against practices of harsh discrimination to the detriment of Roma in the public school systems of the Czech Republic and Bulgaria, no substantial reforms have been introduced ever since. Similar experiences can be reported from Hungary where civil actions brought to the court several cases of segregation in local schooling, but the successful trials did not have any impact on changing the prevailing forms of selection. In light of these and similar experiences, it is no surprise that though formally enacted, the new anti-discrimination laws remain painfully poor in their impact. As the series of recent country-reports of the European Union show, it is the state of inter-ethnic relations and the all-round manifestations of ethnic discrimination that take the lead of critical comments country by country and year by year.

Concluding remarks

Although the content and extent of inequalities traditionally have been among the most telling indicators of the working of the welfare state, their reconsidering as signals of certain imperfections in the functioning of democracy is relatively new. The shift in the public discourse reflects deep-going changes in the structures of European societies that affect the founding notion of citizenship. The newly experienced increase in inequalities of income and wealth is generated by substantial changes in the content and quality of marketable knowledge, by profound modifications of the relations between generations, and by the manifold implications of the pronounced role of ethnicity in social membership. Given the play of the new factors in the background, the inequalities in question only imperfectly can be reduced through the classical measures of income redistribution: they call for new policies and institutions. As to their framework and principles, the new policies are largely the same in the “old” and “new” democracies of the European continent, and are kept in force by a number of overarching treaties of the European Union. This uniformity conceals, however, great variations in the actual implementation. Due partly to the shortage of the needed budgetary resources, and partly to the relative weakness of their civil societies, countries of the postsocialist region of Central and Eastern Europe are lagging behind the old members of the European Union in developing new forms of education outside the formal sphere, and they perform similarly poorly in launching effective programs of job-creation. Nevertheless, differences in these areas seem only gradual. This is not the case, however, with policies for reducing ethnic inequalities and for guaranteeing equal citizenship for all. While powerful struggles for recognition have resulted in the establishment of new institutions for safeguarding impartiality in matters of ethnicity in the West, policies in the postsocialist region have unwillingly contributed to the deepening of the ethnic divide by framing ethnicity in the context of poverty. In this situation, the new laws and institutions that have been set up to combat discrimination remain rather weak, and the new civil initiatives to re-conceptualize ethnicity in the framework of human and citizen’s rights remain heroic efforts of a narrow circle of activists. Given these departures between the West and the East, it is perhaps valid to say that in the foreseeable future, it will be the state of ethnic inequalities that will decide about the matter of convergence vs. painful departure between the democracies of the two halves of the continent.

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