

# Addressing Group Inequalities: Social Inclusion Policies in the Great Transformation of Emerging Economies

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**Indian Institute of Dalit Studies**

*Devoted to Studies on Social Exclusion, Marginalized Groups and Inclusive Policies*

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**Addressing Group Inequalities:  
Social Inclusion Policies in the Great  
Transformation of Emerging Economies**

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**Working Paper Series  
Indian Institute of Dalit Studies  
New Delhi  
2011**



## Foreword

Indian Institute of Dalit Studies (IIDS) has been amongst the first research organization in India that focuses exclusively on the development concerns of the marginalized and socially excluded communities, who suffered exclusion and discrimination due to their group identity whether of castes, ethnicity, gender, religion, race, physical disability, region or any form of social identity. Over the last eight years, IIDS has undertaken several studies on different aspects of social exclusion and discrimination of the historically marginalized social groups such as Scheduled Caste (SC) and Scheduled Tribes (ST) and Religious Minorities in India and other parts of the sub-continent. The Working Paper Series of the Institute disseminates empirical findings of the ongoing research and conceptual development on issues pertaining to the forms and nature of social exclusion and discrimination in multiple spheres; its consequences and suggests measures for inclusive development. Some of our papers also critically examine inclusive policies for the marginalized social groups.

The working paper "Addressing Group Inequalities: Social Inclusion Policies in the Great Transformation of Emerging Economies" is an attempt to build an analysis of the role of group inequalities in the processes of economic transformation of emerging economies, and the role of public policies in addressing these inequalities. This paper compares group inequalities and policies of inclusion in major emerging economies, namely China and India, with a more limited discussion of Brazil and South Africa. Further, it argues the different forms of social inequalities and the ways in which policies have addressed these have had an impact on the growth patterns of these emerging economies. Building on growing evidence of the impact of inequalities on economic growth and poverty reduction, this paper argues that the social mobilization and radical social churning pre-1978 may have had a beneficial impact on the potential for rapid economic growth and transformation in China and its integration into the global economy. Further, it argues that India's deep-rooted group inequalities and inherent limitations of its policies to support the excluded groups continue to be a barrier not only for its faster poverty reduction and improvement of human development indicators, but indeed also for the potential for economic modernization and growth. The public policies in the emerging economies have all been challenged by the inequalities. Therefore, the formulation and implementation of progressive policies addressing the group inequalities is only a viable step to curb inequalities in the emerging economies.

We hope this working paper will be useful to academics, policy makers, students, activists, civil society organizations and NGOs interested in the issues of social inclusion and development.

**Rajendra P. Mamgain**  
**Director, IIDS**



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# **ADDRESSING GROUP INEQUALITIES: SOCIAL INCLUSION POLICIES IN THE GREAT TRANSFORMATION OF EMERGING ECONOMIES**

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## **1. Introduction**

Economic transformations imply dramatic social changes, and often radical changes in social as well as economic policies. These changes gain heightened significance as the economic transformations involve integration into a global economy, seen here as the defining feature of 'emerging economies', with the tendency of globalization to increase inequality as it increases the return to skilled labour and the pace of technological change increases. Against this background, this paper compares group inequalities and policies of inclusion in major emerging economies, mainly China and India, with a more-limited discussion of Brazil and South Africa. It focuses on the way these social group differences, which to a large extent form 'durable inequalities' (Tilly, 1998), have been defined and addressed, in both market and non-market spheres, and how this has impacted the groups' ability to participate in growth processes and economic transformation.<sup>1</sup>

Discussing these issues for four large countries is a very ambitious agenda, and the conclusion will point to areas for further research. However, we believe that bringing together the evidence on inequalities in these large countries is important. They exert a large influence on global inequalities. It is critical to understand the very different realities behind summary

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figures like Gini coefficients or income ratios, how countries have defined groups and 'imagined communities' as part of processes of nation building, and how the 'lived reality' of group inequalities differs from that of other forms of inequalities. Moreover, there is much to learn from the way different countries have addressed these challenges of inequalities as they enter into the global economy, and challenge patterns of integration within it. The political forums formed by these emerging economies might provide an opportunity for learning and advocacy.

While income inequality in China has grown rapidly during its thirty years of transformation, and its Gini coefficient is now much higher than India's and moving to Latin American levels, the nature of inequalities is radically different. China's policies after 1949 led to a radical equalisation of opportunities, in terms of health, education, and access to land, while affirmative policies were put in place for recognised minorities. The post-1978 reforms unleashed the potentials of a relatively well-educated population, but gave rise to new market and non-market inequalities, reflected in ethnic tensions as well which, according to some recent data, are being addressed with some success particularly since the launch of the 'harmonious society' model. Simultaneously, with China's integration into the global economy, its internal group and other inequalities are increasingly in the global public eye.

Income inequalities in India appear low, but the nature of inequalities is very different from that of other countries, China in particular. Despite economic growth and slow but steady urbanisation, and the recent 'inclusive growth' and rights-based emphasis of social policies, deep-rooted disparities between social groups have not disappeared, and arguably, the focus on poverty schemes in the inclusive growth policies is by itself unlikely to address these. Despite political mobilisation, urbanisation, political democracy and a wide range of measures of special provisions and reservation, deep-rooted social and market-based discrimination and unequal access to land and other resources continue to limit the opportunities of millions. Internationally, India's inequalities have always attracted much attention, and have been part of global debates on discrimination, such as at the World Conference against Racism, Social Discrimination, Xenophobia and Related Intolerance in Durban in 2001.

Brazil and South Africa represent a third 'model' of inequalities accompanying the recent economic transformation. Both have been

marked by extreme high inequalities for a long time, resulting from the histories of colonisation in Brazil and of Apartheid in South Africa. In both countries, inequalities have been central to the policy agenda for one to two decades, and a central part of the way these countries integrate into the global economy. In Brazil, racial inequalities surfaced gradually, while they were of course central to the anti-Apartheid struggle in South Africa and addressing the inequalities was key to the country's re-acceptance into the global community. Both experiences present lessons on successes and difficulties in bringing inequalities down.

The inequalities have been well documented, and after a short review of the different definitions and manifestations of these in the four countries, this paper focuses on the policies of inclusion. In particular, the paper will compare the Chinese policies regarding minorities since 1949, India's policies vis-à-vis Scheduled Castes and Scheduled Tribes, Brazil's recent programmes of affirmative action and South Africa's large programmes of empowerment since 1994; their different histories and political motivations, and their varied impacts in terms of creation of equal opportunities and inclusive institutions. We argue that along with political systems and processes of nation building, social mobilisation is one of the critical factors that differentiate the countries in the extent to which equal economic opportunities have been created.

Finally, the paper will argue that the different forms of social inequalities and the ways in which policies have addressed these have had an impact on the growth patterns of these emerging economies. Building on growing evidence of the impact of inequalities on economic growth and poverty reduction, we argue that the social mobilisation and radical social churning pre-1978 may have had a beneficial impact on the potential for rapid economic growth and transformation in China and its integration into the global economy. By comparison, while in South Africa an economic boycott supported the struggle for the overthrow of Apartheid, India's deep-rooted group inequalities and the inherent limitations of its policies to support deprived groups continue to be a barrier not only for faster poverty reduction and improvement of human development indicators, but indeed also for the potential for economic modernisation and growth.

## **2. Inequalities in Emerging Economies**

The economic transformations of the emerging economies are at very different stages and levels.<sup>2</sup> China of course has had by far the fastest

growth, followed by India and Brazil, while South Africa has the highest Gross Domestic Product (GDP) among the four countries. Its growth rates were 3 to 5 per cent since the end of Apartheid,<sup>3</sup> and had been preceded by a decade of stagnation caused by international boycott and internal political instability. All four countries have experienced urbanisation, but this has been relatively slow in India, while labour market informality remains persistent in all four economies, and unemployment has been increasing, particularly in South Africa (Förster and Arnal, 2010). Fertility transitions have been very rapid, with beneficial economic impacts so far, but with very rapid ageing looming in China, and a continued health crisis in South Africa.

**Table 1: Basic Indicators of the Four Countries**

Countries	GDP per capita		Urbanisation		Demographic shift	
	(PPP US\$)	Annual growth	% Urban population		Total fertility rate	
	2005	1975- 2005	1975	2005	1970-72	2006-07
Brazil	8,402	0.7	62	84	5.2	1.7
China	6,757	8.4	17	40	5.8	1.4
India	3,452	3.4	21	29	5.4	2.8
South Africa	11,110	-0.3	28.1	59.3	4.9	2.5

Sources: GDP and urbanisation figures are World Bank data; demographic data World Population Prospects ([http://www.un.org/esa/population/publications/worldfertility2009/fertility\\_wallchart09\\_table.xls](http://www.un.org/esa/population/publications/worldfertility2009/fertility_wallchart09_table.xls)).

Three of the countries' records in poverty reduction, human development and inequality have been extensively studied by Martin Ravallion, and are summarised in the following Table 2, complemented by data on land and education. The three countries have made enormous progress in income poverty reduction over the last three decades, none more than China, which now correctly claims it is responsible for two-thirds of the world's progress on the first Millennium Development Goal (MDG1). The three countries also made substantial progress in human development indicators, with Brazil topping the list. Progress in South Africa has been much slower, with modest economic growth, limited poverty reduction and continued reversal of some of the human development indicators.

**Table 2: Socio-economic Indicators of Brazil, China and India**

Countries	Poverty \$1.25 (%)		Inequality Gini index		Income share lowest 20%		Land inequality Gini		Infant Mortality		Life expectancy index		Education inequality Gini		Health inequality	
	1981	2005	1981	2005	1981	2000-7	1985	1997	1981	2005	1980	2007	1981	2005	1980	2007
Brazil	17.1	7.8	57.5	57.6	2.89	3.02	80.2	(1985)	72.2	21.8	0.62	0.79	0.39			2.9
China	84.0	16.3	29.1	41.5	--	5.73	43.8	(1997)	45.8	21.4	0.68	0.80	0.37			--
India	59.8	41.6	35.1	33.4	--	8.08	57.9	(1986)	113.0	57.7	0.50	0.64	0.56			2.5
South Africa	--	--	59.3	57.8	2.95	3.06	64.3	(1960)	64.0	56.0	0.53	0.44	0.79			3.6

Sources: Ravallion, 2009; income share from World Development Indicators (WDI), online, accessed May 2010, and WDI, 2008; life expectancy index from [http://hdr.undp.org/en/media/HDI\\_trends\\_components\\_2009\\_rev.xls](http://hdr.undp.org/en/media/HDI_trends_components_2009_rev.xls); land inequality, Frankema, 2006; education inequality, World Bank 2005, pp. 284-88 (reflecting difference between urban and rural dwellers and between males and females); health inequality calculated as ratio of IMR in lowest compared to highest income quintile (data based on World Bank, 2005, p 282, latest year available).

The figures on inequality are remarkable, and the following are the most important aspects serving as the background for this paper.<sup>4</sup> Brazil's inequalities have been extremely high for many decades. The Gini coefficient increased from .57 in 1981 to .63 in 1989, but then declined to .55 in 2007.<sup>5</sup> The decline has been attributed to declining inflation, declining returns to education, rural-urban convergence, and increases in social transfers targeted to the poor (Ferreira et al., 2006; Ravallion, 2009). Brazil's inequalities are deeply-rooted, including inequality in land distribution, rural-urban inequalities (with urbanisation this become a less important contributory factor to overall inequality, though urban poverty may have been on the rise), regional inequalities and inequalities between groups. Health and education also are unequally distributed, though less so than income (Justino et al., 2004); the inequality indicator constructed for the World Development Report 2006 (World Bank, 2005) suggests education is less unequally distributed than in India and South Africa, yet infant mortality in Brazil's lowest income quintile is three times higher than in the highest quintile.

China's rising inequalities have attracted much attention recently, as the Gini index has shot up from the very low levels of the 1970s (Wan, 2008), though unlike the other three countries, land distribution has been and remains very equal. After 1949, China created income equality and egalitarian access to health and education facilities – though always with a strong rural-urban divide, induced by government promotion of heavy industry, restrictions on labour mobility, and social security for urban inhabitants. Since the reforms of the late 1970s accompanying 9 to 10 per cent economic growth rates and lifting hundreds of millions of people out of extreme poverty, China's Gini coefficient has sky-rocketed; with some signs of levelling off most recently, possibly due to migration and inward-oriented government development policies. Inequalities consist of rural-urban and inland-coastal disparities, but also growing inter-personal and social group inequalities. Disparities in health and education too have increased since the reforms began (Zhang and Kanbur, 2003).

While the reforms diminished the importance of earlier policy-induced inequalities, increased openness alongside fiscal decentralization contributed to increases in disparities between coastal and inland areas (Kanbur and Zhang, 2004). While China has witnessed the largest scale human mobility in recent history, with between 100 and 200 million people

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migrating from rural areas, mostly to coastal based export production, the household registration system *hukou* maintains inequalities by excluding migrants from access to the much-better facilities in urban areas. Increasing inequality was accepted as part of the reform, but inequalities in education and health became a key concern in the 1990s. The Western Development Strategy tries to address the regional inequalities through multi-sectoral but infrastructure-oriented interventions, while under the Hu-Wen administration, promotion of a 'Harmonious Society' became the central plank of government policy, as described in the Box below.

The Gini index for income or consumption distribution in India has remained low, but this does not sufficiently reflect the country's deep-rooted inequalities, including between groups as described later. The long series of comparable surveys in India dating back to about 1960, highlight that India has experienced substantial rates of economic growth and poverty reduction, and the share of agricultural employment has declined. While the Gini coefficient has remained under 35, variation in both rates of economic growth and the rate at which the poor benefit from economic growth vary considerably across the country. The Gini coefficient hides diverging trends in income and human development indicators, across and within states, large pockets of chronic poverty,<sup>6</sup> and disparities in nutrition despite decades of national food self-sufficiency and food distribution programs. Inequalities in land and education are extremely large in India, and educational inequality measured by distribution of years of adult schooling is higher than in most Latin American countries (Bardhan, 2007). These inequalities – though not those related to land – regained attention under the 'inclusive growth' model of the Congress coalition government after the 2004 General Election, leading to a number of flagship human development and social protection programmes.

**Box: China's harmonious society and  
India's inclusive growth**

Despite the political differences between the two countries, there are some remarkable similarities in the public policy responses to the 1980s and 1990s market reforms. In India, the wide-spread perception that globalisation and the Bharatiya Janata Party's (BJP) 'Shining India' model had left behind large groups of the population contributed to the electoral victory of the Congress Party and the subsequent formation of the United Progressive Alliance (UPA) coalition government, which increased its number of Parliamentary seats in 2009. The 2004 election promoted a policy of broad-based or 'inclusive growth', a Common Minimum Programme, with extension of social security to the unorganised sector and as described below, renewed new provisions for deprived groups. The National Rural Employment Guarantee scheme (NREGA) which as the world's largest employment scheme, is now attracting wide attention, and other flagship human development programmes were key commitments. Each of these programmes imply not merely increases in spending, but strengthened governance and monitoring, particularly at local levels, supported by a continued strong advocacy of a progressive elite and academia.

In China, the Communist Party over time has responded to pressure within and outside the party, to rebalance the 'growing rich first' strategy promoted under Deng Xiaoping. Such pressures have continued to exist, and for example, contributed to the dissatisfaction that resulted in the protests in 1989. Pressures for a more equitable and just society continued to grow towards the late 1990s, and led to the promise of the Hu-Wen administration to redress the unbalanced development path, resulting in the slogan for a 'harmonious society'. This consisted of promises both for more equity and for addressing problems of corruption and maladministration: 'coordinating development, social equity and justice; cultural harmony and consolidating the ideological foundations for social harmony; and improving public administration to build a society of vigour and order.' The economic crisis, while not leading to a drastic change in China's economic strategies, did reinforce the push towards more inward-oriented and possibly more equitable development.

Sources: Hasan, 2009; Zheng and Tok, 2007; Dev, 2008; Kelly 2006.

South Africa of course has the reputation of being highly unequal, following the racist divide established under colonial domination, including in ownership of assets in both rural and urban economies. Since the end of Apartheid, poverty has been reduced slightly (though not in urban areas) and improvements in non-monetary indicators of well-being like access to piped water, electricity and formal housing have been reported. However, the Gini coefficient for income inequality has been just under .60 and changing little—edging upwards if anything alongside very high inequalities in land and education. Within-group inequalities are becoming an increasingly important component in a context which has been dominated by between-group inequalities, as discussed further below. Along with growth-oriented policies, government social protection schemes have become increasingly important (two-thirds of income of the bottom quintile now comes from social assistance, mainly child support grants; Leibbrandt et al., 2010), but appear to do little to reduce inequalities.

Thus, the inequalities within the emerging economies are a critical element of their development path and of their public policies, as described in more detail below. While there is some evidence of a Kuznets curve – in China, arguably – the question of the growth-inequality link is much more complicated, as the nature of inequalities is radically different in each setting. Discussions of ‘initial inequalities’ also beg the question exactly what the starting point of economic transformation would be. Growth and urbanisation in South Africa and Brazil happened while severe inequalities had already taken root, while group inequalities in India remain unaffected by economic transformation, though they may be holding it back. We now turn to a description of the group inequalities within the four countries, preceded by a discussion on the definitions of these inequalities.

### **3. Group Inequalities: Definitions, Imagined Communities, Emancipation**

In many countries, reporting group inequalities is a common part of academic research and public policy debate. However, in many cases, the categories are employed uncritically, such as Han Chinese being presumed a homogenous category, or the administrative use of the ‘SC/ST’ category in India. Further, the importance of disparities between groups is underestimated through ‘inequality decomposition’,<sup>7</sup> which neglects the unique features of group inequalities and the way these are perceived and defined, as in the cross-country regressions that use simple indicators such as

‘ethno-linguistic fractionalisation’ as a causal factor of development.<sup>8</sup> It is important in the context of this paper to first discuss the processes through which definitions of groups have emerged, to both contextualise the categories themselves, and to understand the role these processes play in nation building and the constitution of social contracts, including how they influence integration into global economies and polities. We start with a discussion of the way India has categorised and ‘invented’ its many social categories.<sup>9</sup>

India is generally seen – and celebrated – as among the world’s most diverse countries, in religious, linguistic, regional, ethnic and caste terms. As elsewhere, these categories are not given but constructed under processes of state formation, including the process of colonisation, and continuously contested. The caste system, while described in ancient religious texts, became a central part of the colonial administration’s mapping of India, introduced in the 1871/2 Census. It subsequently became the language of the affirmative action in the late- and post-colonial period, along with the use of ‘tribal people’ as a category denoting culturally distinct communities, usually in ‘remote’ areas. The importance of these definitions can hardly be over-stated: caste divisions have become central to India’s definitions of disadvantage, tending to neglect others (Hasan, 2009a). They have become a central feature of India’s politics in the form of ‘democratic incarnation of caste’ (Shah, 2002, p. 28) and of the public policies of affirmative action, as well as the delivery of targeted human development and poverty programmes (de Haan, 2010). More broadly, the Indian state after Independence actively promoted diversity as a way of nation state building, and probably had no option but to do so, for example by choosing the English language as medium of national communication.

While some of the affirmative policies in China are not dissimilar to those in India (see below), China’s elites chose a different path of nation building, creating a new ‘imagined community’ in Benedict Anderson’s terms, first under the Kuomintang and then the Communists. China is generally regarded as a homogenous society, with more than 90 per cent perceived to be Han Chinese. However in the words of Dru Gladney, “China is a multicultural and ethically diverse nation-state, with tremendous cultural, geographic, and linguistic heterogeneity among its dispersed population ... [with] important cultural differences among China’s majority population, identified as the Han people.”<sup>10</sup> Along a similar line, Zhang Jijiao (2009)

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describes how the growing migration of minorities (“hundreds”, p.186) is changing the economic and cultural landscapes of cities and even rural areas. While fifty-five groups were identified as official nationalities (*minzu*<sup>11</sup>) after the founding of the People’s Republic, using the methodology used by Stalin and following promises made during the Long March, 350 other groups applied for similar status but were not recognised, and thus were officially absorbed in the Han majority despite very large differences, (in language for example).

South Africa’s nation building – like China’s and India’s – incorporated clear-cut categories of social groups based on race, distinguishing a small white minority from the majority black population, with an intermediate Indian population. Racism and control over economic assets, particularly land, and the establishment of ‘homelands’ were central to these divisions. Apartheid as a unique form of institutionalisation of racism, gradually took root in the first half of the 20<sup>th</sup> century, most evidently in the all-white national election of 1948, and the Prohibition of Mixed Marriages Act of 1951, which made marriage between races illegal. Apartheid was finally abolished in 1994 following internal struggle (and early anti-racist reforms) and external political and economic pressure, and since then, reconciliatory efforts under the Rainbow Nation banner have been accompanied by affirmative action as described in the next section.

Surprisingly, given its history of slavery that was abolished in the late 19<sup>th</sup> century, Brazil has long been perceived to be characterized as free from sharp racial differences, in the sense that Brazilians do not identify themselves easily with racial types. Racial mixing has been thought to be central to Brazilian society, reflected in ideas of a ‘post-racist’ society, and the sociologist Gilberto Freyre’s idea in the 1930s of a ‘racial democracy’ (as enriching its culture), which for many compared very favourably with the race relations of the US.<sup>12</sup> As elsewhere in Latin America, and despite large existing group inequalities as discussed below, there has been relatively little experience with processes of recognition of ethnic identities in Brazil, but this has been changing since the mid-1990s (when Cardoso assumed power) as we describe below.

If the rise of ethnic identities (and conflict) is a phenomenon of the modern nation state – and at least China and India clearly seems to suggest this is the case – the nation state in the era of globalisation creates a particular dynamic of identity formation. The way minorities have been classified

already draws on international knowledge, with China for example drawing on the USSR experience under Stalin, while the 19<sup>th</sup> century debate on caste in India may have drawn on the race debate in Europe (discussed in Hirschman, 2004). Globalisation limits the powers of nation states, by narrowing the margins for economic policies and national administrative practices. However, it also imposes new and sometimes contradictory demands on the broad social policies to create a productive work-force and provide security in the face of economic cycles, through global media and strategic advocacy by groups on state policies that demonstrate respect for human rights of minorities, such as the support to the anti-Apartheid movement in South Africa, and the international advocacy regarding Tibet.

Against the expectations of modernisation theories till the 1980s, the rise of identities has become one of the major public policy questions of the 21<sup>st</sup> century, and emerging economies may be experiencing this in a more rapid fashion than the old welfare states. Simultaneously, and particularly with the rise of 'Radical Islam', the desirability of the articulation of identities has become deeply disputed, with some progressive analysts going so far as to argue public policies should not contribute to further articulation of these identities (Stewart et al., 2007), while deprived groups, including those in at least three of the four countries discussed here, do advocate the need for public policy to advance their case on the basis of exactly those identities. Before we describe the countries' policies vis-à-vis these inequalities, we first turn to a description of the group inequalities.

#### **4. Group Inequalities: Statistics**

The four countries have good data on group inequalities. This is more so in India and South Africa, where these inequalities have been a central part of its administrative apparatus, than Brazil, where as argued earlier, an ideology of a race-free country had limited reference to group inequalities till recently, and China where analysis of group inequalities is not encouraged even though special programs exist for ethnic minority areas. The main characteristics are compared in the Table 3.

Brazil's colonial experience since the 1500s was responsible for creating a typically diverse social structure, with the country's poor, mixed race and blacks concentrated regionally in the relatively poor North-East and the rural areas. The main population groups as categorized at present consist of whites or *branco* (forming half the population), mixed-race or *pardo* (around

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42 per cent), and blacks or *preto* (6 to 8 per cent of the population).<sup>13</sup> The 1999 household survey showed that while blacks compose 45 per cent of the

**Table 3: Comparison of Group Disparities in the Four Countries**

Countries	Main groups, and percentage of population	Vulnerability	Inequality	Main policies (affirmative action)
Brazil	Branco (white), 49% Pardo (mixed-race), 42% Preto (black), 8% (‘colour-caste’ system, complex stratification)	Blacks form 45% of total population but 64% of the poor (69% of extreme poor)	Black men form one-fourth of the richest quintile compared to white men.  Blacks form 70% of the poorest decile, 15 % of richest.	Affirmative action in public and private spheres.  Education (all levels).  Government representation.
China	Han majority, 91% Minorities (9%)	Minorities two to-three times more likely to be poor	Rapidly growing since the 1980s	Affirmative action for minorities  Rural development of minority areas
India	General Dalits/Scheduled Castes, 15 % Adivasis/Scheduled Tribes 8% Muslims, 13%	Adivasi woman in remote Orissa has > 90% probability of being in poverty	Overall income inequality remains low, but disparities have grown rapidly.  Other forms of inequalities large	Affirmative action in political, administrative and education spheres. Economic promotion of deprived groups.
South Africa	Black 79% White 9% Coloured / mixed race 9% Indian/Asian 3%	High unemployment among blacks  Geographic isolation.	Minority domination till 1994.  Land: homelands’ under Apartheid, limited distribution since.  Group inequalities remain high with growing inequality among Blacks.	Focus on private sector.  University enrolment.  Government representation.

Source: Authors’ summary, based on sources quoted in text of this and next section

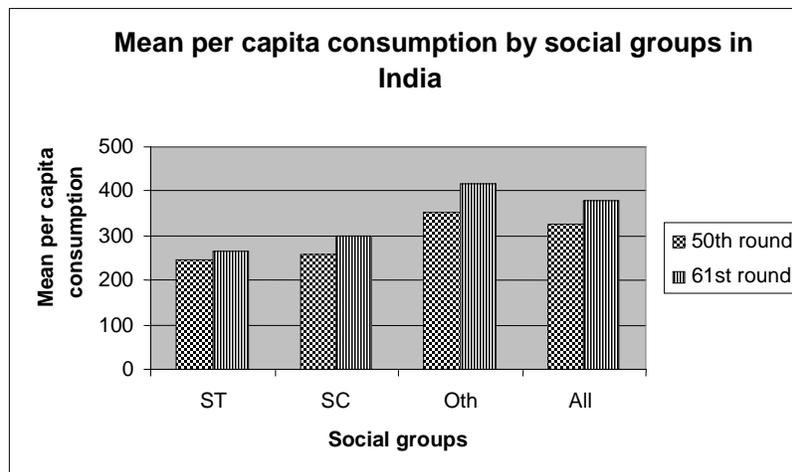
population, they form 64 per cent of people below the poverty line (Htun, 2004, p.63). 30 per cent of *branco* men (self-identified) have an income in the top quintile compared to only 12 per cent of *pardo* men and 7 per cent of *preto* men (Francis and Tannuri-Pianto, 2010). Analyses demonstrates the existence of discriminatory practices in the labour market, with whites having significant advantages in terms of upwards occupation mobility (do Valle Silva, undated, pp. 34-7). The average family income of white men was twice that of others according to 1996 data, and income differences spill over into other spheres, resulting for example in disparities in infant mortality rates. According to the 1996 Sample Survey, white men had on average more than six years of schooling, and *preto* and *pardo* men less than four (ibid.)

As discussed, China is considered ethnically a relatively homogeneous society, with over 90 per cent belonging to the Han group, though this group is highly heterogeneous, and the rest divided over 55 'minority nationalities'. Large sections of the minority population live in mountainous areas, though a substantial number also live outside those areas, while large minorities like Uygurs of Xinjiang and Tibetans inhabit vast areas of strategic value for China. Poverty rates are estimated to be high among minorities, though with a large diversity amongst them as well as within the Han majority. According to Bhalla and Qiu (2006), while ethnic minorities form less than 10 per cent of China's population, they form 50 per cent of the extreme poor.<sup>14</sup> According to the World Bank's poverty assessment, based on 2003 estimates of poverty in minority areas rather than of minority households, while on average 7 per cent of the population lived in (income) poverty, 24 per cent of the minority population are below that poverty line (and 28 per cent of minorities in mountainous areas). However, using the 2002 rural household survey data collected under the China Household Income Project, Gustafsson and Sai (2008) estimate that the poverty risk for the ethnic minority population is about twice as high as that of the majority,<sup>15</sup> but that this is mainly related to location, with ethnicity having little independent effect on poverty.

India has a uniquely large social diversity, with at least three large social folds, related to religion, ethnicity and caste, often linked to differences in well-being and of which the manifestations are regionally specific. Hinduism is the largest religion, but there are large groups of Muslims (13 per cent of the population; often relatively poor), Christians, Buddhists, etc. A large

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proportion of the population belongs to various groups of Adivasis, or 'Scheduled Tribes' (8 per cent), they tend to live – like China's minorities – in remote rural areas, have much higher incidences of poverty (Xaxa, 2001), lower rates of labour migration,<sup>16</sup> and vulnerability to forced displacement.<sup>17</sup> Finally, the country is marked by a well-known and described caste system, which divided the Hindu population into five groups. Of these, *Dalits* or 'Scheduled Castes' (15 per cent of the population) suffer from high levels of socio-economic deprivations, combined with severe social discrimination in all spheres of life, which changes but does not disappear with rural transformation and urbanization, as caste distinctions find new forms of articulation in new economic sectors.<sup>18</sup> The following graph illustrates these disparities (based on calculations by Amaresh Dubey), and how these have not been reduced since the mid 1990s.



Source: Calculations by Amaresh Dubey, based on 50<sup>th</sup> and 61<sup>st</sup> NSS rounds.

Like Brazil and the United States, South Africa's social structure and disparities are the direct result of colonial expansion since the 1500s, with apartheid, which hardened in the 20<sup>th</sup> century, being among the most extreme institutionalized forms of racial discrimination established. Of the 38 million inhabitants in 1996, 29 million were recorded as African, 5 million as white (European descendants), 3 million as coloured and 1 million as Indian; (the percentage of black population has been increasing over the last few decades). Land distribution and the institutions of homelands

and reserves have been at the heart of the group inequalities: In the late 1970s about 13 per cent of South Africa's area was allocated to exclusive African ownership (James and Lever, undated, p. 46). Racial hierarchies were equally strong in labour markets and the field of education.

Addressing these group inequalities was of course the cornerstone of South Africa's post-Apartheid regimes, but after almost two decades, it appears that enormous challenges remain. As indicated, while access to services has expanded rapidly since 1994, particularly child grants helping the poor, the overall income inequality is not coming down and wage inequality has risen. Unemployment has been growing by 5 per cent per year since the mid 1990s.<sup>19</sup> While the inequality between groups (races) remains extremely high and is falling only slowly, the intra-group inequalities are growing significantly: the extreme wealth of mining magnates for example. The Government has admitted that its Black Economic Empowerment (see next section) has been failing for the majority of the black population.<sup>20</sup>

These emerging economies are thus marked by large social disparities, suggesting at least a delayed participation in growth and economic transformation, and often disadvantageous terms of participation by large groups. The countries are further marked by very different *types* of group inequalities, resulting of course from their diverse histories, and thus creating specific path-dependencies for their public policies: Brazil's is the result of its colonial history; as is South Africa's where the institutionalization of Apartheid led to internal and international resistance; while India has a much longer history with divisions institutionalized under colonialism; and China undertook massive social transformation under its communist revolution. We now turn to the social policies in these countries, particularly to how these address group identities and disparities.

### **5. Policies for Inclusion: Affirmative Action and Universalism**

Our analysis places the policies vis-à-vis social groups within the context of the countries' broader social policy approaches and histories, including the question of the place of affirmative action in the universalism (or at least inclusiveness) that has been a central theme in different forms in the public policies of the four countries. The countries' social policies are embedded in very different histories and ideologies, which can arguably be captured under an amended version of Esping-Andersen's (1990) notion of welfare regimes.<sup>21</sup> This describes different ways of welfare provisions,

and how these relate to historical patterns of political mobilization and control. Brazilian social policies have been characterized as state *corporatist*, in which pressure groups have dominated the policy-making process. As the rest of Latin America, Brazil moved towards neo-liberal approaches during the 1970s -80s, though more recently, more inclusive and poverty-focused policies have become central, particularly under Lula's government, with an important role for targeted cash transfers. After 1978, China let much of the welfare system of the earlier period collapse in its emphasis on economic growth and privatization, with a social policy model that can be characterized as a version of the East Asian model of *productivism* (Holliday, 2000), while more recently, the state has again assumed larger responsibility for providing social services and addressing inequalities. By contrast, India's social policy approaches can arguably be characterized as *welfarist*, under the pressure of political democracy, in which social spending is seen as residual, with a strong emphasis on targeting, and which received new impetus under the inclusive growth model of the Congress government since 2004 (Hasan, 2009). South Africa's social policies since 1994 have focused on addressing the disparities created under Apartheid (with little success, as suggested above), and on Old Age Pensions and Child Grants as a flagship cash transfer scheme. It has had a liberal focus, notably in its approach to land reform. Social spending in China, India and Brazil have remained low (though international comparisons are difficult),<sup>22</sup> with China and India recently showing an upward trend.

Group disparities have played important and very different roles within the articulation of social policies of the four countries. We describe these briefly below, emphasizing that a large research agenda and need for more independent evaluations remain, to understand the nature and impact of group-based policies and the role these play in the way public policies and processes of identity formation and integration evolve.<sup>23</sup>

### ***Brazil: Beyond 'Racial Democracy'***

In Brazil, for a long time, group disparities were not central to public policies and much of the public debate, and the severe racial inequalities particularly those relating to Afro-descendants were not officially recognized. Brazilians were led to believe there were no black or white Brazilians, and the complicated social stratification ('colour-caste system') has been considered too difficult for policy makers (Guillebeau, 1999). This has

changed recently, a long time after slavery was abolished, and arguably as part of a broader Latin American regional move towards stronger identity policies (Lucero, 2008). The 1988 Constitution (i.e. three years after the return to democracy) declared discrimination as a crime, all persons as equal before the law, and mandated a role for the state in protecting diverse cultures within Brazilian society. Affirmative action was officially endorsed in 2001.<sup>24</sup>

Official policies include the promotion of measures to address racism and deprivation of the black population, affirmative action in public and private spheres, including at the workplace and labour markets, quotas for blacks, women and handicapped persons in some ministries, reservations in university admissions in three states, and measures to influence public opinion and address stereotypes. A high-level secretariat has been created with a mandate to prepare all forms of public administration for racial equality, but unlike in South Africa, without programs for economic empowerment.<sup>25</sup> Addressing group disparities is also implicit in policies vis-à-vis regional inequalities, like Brazil's National Policy for Regional Development. Poorer groups tend to benefit from the targeted cash transfer schemes like the *Bolsa Família*, which reaches 11-12 million poor families with a conditional cash subsidy of about US\$35 per month – but without explicit attention to group inequalities within this social protection scheme.

As elsewhere, and partly because they have been introduced only recently, there is not much evidence of the impact of affirmative policies.<sup>26</sup> Studies have started to appear that assess, for example, the adequacy and impact of affirmative action on Brazilian universities, suggesting the need to address methods to allow self-declaration of colour but also dismissing fears it would lead to accepting students with lower competencies (Guimarães et al., 2009-10). In any case, the trend seems to be unmistakably towards an increasingly high profile of race issues within Brazil's public policies – alongside the renewed focus on poverty and regional inequalities under the leadership of Lula – and acceptance that race is or has to be an organizing principle of public policies.

### ***China: Integration and Minority Policy***

In contrast to Brazil's relative neglect of diversity, China's nation state formation implied an emphasis on integration and clear policies vis-à-vis minorities. Mao's policies included a radical revolution among minorities,

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intending to destroy the feudal elements of the socio-economic system. This was followed by identification of ethnic groups and assigning an autonomous status to some of the regions, followed by the religious persecution and cultural destruction during the Cultural Revolution. There has been a distinct revival of minority concerns after 1978.

Current official policy emphasizes equality, regional autonomy,<sup>27</sup> 'common development', and preservation of cultures.<sup>28</sup> Minorities are represented (proportionally over-represented) in the National People's Congress, and special efforts are made to train ethnic minority cadres. Policy includes the freedom to use own languages (and decisions to set language of education, though it is not clear if this is actively used), and more lenient child-birth policies for ethnic minorities. Plans for rural development, infrastructure, industrialization, agriculture and poverty alleviation include provisions for large transfers to ethnic minority areas.<sup>29</sup> Of course, international organizations and observers have continued to emphasize exclusion and rising tensions, particularly in Tibet, Xinjiang and Inner Mongolia,<sup>30</sup> and analysts like Dru Gladney conclude that China's economic transformation has the "potential to fuel ethnic and linguistic division, rather than further integrating the country", with uneven distribution of wealth leading to deep resentment.<sup>31</sup>

The growing gaps in its social policies since 1978 and growing disparities in health and education have probably had a disproportionate effect on minorities, as they have been concentrated in regions that have fallen behind. These gaps are likely to have a long-lasting impact on the chances of the next generation,<sup>32</sup> but are now being addressed. The new health insurance scheme is an example of recent progressive social policies, as part of the broader Harmonious Society project. The Western Development Plan is an earlier example of response to concerns of growing inequalities (particularly regional), and one that is 'deeply entwined' with minority policy as it included justification for addressing protest movements, and included Provinces and Prefectures not geographically located in the West (Naughton, 2004, p. 265; Barabantseva, 2009). The opening up of the West and the approaches chosen there (predominantly 'productivist' compared to a 'welfarist' approach in India) are directly in line with and characteristic of China's broader reform policies, and thus shape the impacts on its minorities. Finally, the promotion of migration, despite the continuation of the *hukou* registration system, also has had a profound

impact on the way China's rural transformation has taken place: our own observation and that of colleagues suggests that groups in very remote areas with linguistic differences, while perhaps being initially excluded, have over the last few years also found access to migration opportunities.

China's centralized political control has a direct impact on the way policies vis-à-vis minorities have evolved,<sup>33</sup> with a strong emphasis on national integration alongside an official emphasis on autonomy and respect for culture. Its forceful market-led development and poverty programmes reaching out to remote areas (following the revolution under Mao) have rapidly transformed socio-economic structures, in contrast with the case of India as described below.

### ***India: Caste and Reservation***

Group identities have played a critical role in India's Independence and in the formulation of the Indian Constitution.<sup>34</sup> Support for deprived groups is enshrined in the Indian Constitution, and is delivered through elaborate administrative and financial mechanisms, using the 1931 Census classifications as the basis. This has subsequently been revised and disputed at various times, and was again the subject of discussion for the Census of 2011.<sup>35</sup>

Policies focus on three spheres: legal safeguards against discrimination, education and empowerment of deprived groups, and affirmative action – the controversial area of 'reservation' in government services, admission in public educational institutions, and seats in central, state and local legislature and bodies, (but not – by and large – in the private sector and labour market). Since the late 1980s, alongside liberalization, there has been a significant rise in identity politics, particularly relating to caste and religion. Affirmative action – and the notion of reservation for example – has become highly controversial, with claims of 'reverse discrimination', arguments (as in South Africa, and expressed fears in Brazil) that reservation has led to a 'creamy layer' and not benefited the large majorities, but also clear evidence of cases of upward mobility which would have been unlikely in the absence of reservation.

Of course, India's policies evolve in very different political and administrative systems compared to other countries and China in

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particular. India's federal political democracy leaves a deep imprint on the ways in which policies vis-à-vis deprived minority groups evolve. The 'vote bank' politics have given a particular shape to the implementation and extension of benefits to deprived groups, notably the 'democratic incarnation of caste' (Shah, 2002, p. 28) which has given political agency – often with a strong regional character – to many lower castes. However, entry of Adivasi communities into the political field has remained more limited (Alam, 1999). Minority groups have mobilized around targeted schemes for group advancement. Others have tried to extend these, thus re-forcing their identity as a *group*. The public advocacy around social welfare also has contributed to an increasing number of schemes, often overlapping in objectives.

The inclusive growth model promoted since 2004 contained a renewed commitment to poverty reduction, with a number of flagship welfare schemes embedded in a distinct rights approach, most notably the National Rural Employment Guarantee Scheme (which has some marginal references to benefits for social groups, in terms of assets created) and proposals for extending social security to the majority unorganized sector. Simultaneously, a range of new or revised policies for social groups has been promoted, such as the policies following the recommendations of a high level committee to inquire into the socio-economic status of Muslims, and a '15 Point Programme' with a range of programmes for deprived groups, including encouraging entrepreneurship, providing scholarships, services and a (flagship) multi-sectoral development programme for minority districts.<sup>36</sup>

There is no agreed overall assessment of the impact of India's affirmative policies, even if we restrict ourselves to impacts in the socio-economic sphere. Opponents point to the creation of a creamy layer, the inconsistencies of 'positive discrimination' versus a law that promotes non-discrimination, and the continued politicization of these affirmative policies. Supporters argue that continued discrimination in economic, social and cultural spheres still make affirmative policies necessary, and that many of the people from deprived groups that have had a degree of success would not have been able to do so in the absence of affirmative action. But the differences in views do not seem to be holding back a continued drive for public policies and politics to be structured along India's manifold social divides.

### ***South Africa after Apartheid***

South Africa's group disparities were deeply enshrined in the legal and administrative practices of the Apartheid regime, and within policies of 'homelands', even though reform attempts were started towards the end of the Apartheid period. The Bill of Rights in the 1996 Constitution declared everybody equal before the law. While 'unfair' discrimination was outlawed, as in India, affirmative action was introduced to redress the historical injustice against groups, and definitions of a segmented South African population thus reappeared, with Black a generic term referring to Africans, Coloured and Indian (James and Lever, undated, p. 45).

Unsurprisingly, given the history of Apartheid, South Africa has institutionalized a uniquely wide range of affirmative actions. Affirmative action in South Africa is directed at a majority of the population, which distinguishes it clearly from the other three cases discussed here. On paper, a radical land policy was introduced, aiming at redistribution, restitution and land tenure reform, which in practice – probably informed by the devastating effects of Zimbabwean reforms – has resulted in slow progress through market-oriented land reform. Access to schooling was enhanced radically. Government employment and political representation were introduced as ways to address historical injustice, with changing hiring and promotion practices in the private sector as a cornerstone of affirmative policies.

These forms of affirmative action are implemented alongside an equally impressive array of anti-poverty or social protection policies, which as indicated earlier, have also not helped to reduce income inequality since the end of Apartheid (Gelb 2003; Jenkins and Thomas, 2004). A number of labour market policies have been implemented, including unemployment insurance and public works, but these have not recorded large successes. Wage subsidies are being considered. A number of well-publicized state-led social assistance or cash-transfer grants have been introduced, of which the Old Age Pension and Child support have been the biggest. They have generally been successful on their own terms (Woolard, Harttgen and Klasen, 2010), though there is pressure to expand them.

### ***Policy Comparison***

The comparison of social policies across the Global South is a potentially fruitful but still largely unexplored terrain. This brief overview suggests

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that while there are some similarities in the extent to which 'emerging economies' have had to address group disparities as part of their broader social policies, the specific histories make these deeply path-dependent. While the intentions of the policies appear very similar, the way they have evolved has thus been very different, and the outcomes too are likely to have been different. Further research is necessary to provide in-depth information on these approaches. As hypothesis, we suggest that China's policies vis-à-vis deprived groups are more shaped by the central leaders' concerns for national unity and the broader economic reform programme, thus giving these a distinctive 'productivist' character; while India's policies are embedded in its parliamentary democracy, and its particular form of public advocacy has given its social policies a distinctive 'welfarist' emphasis. South Africa's affirmative action came out of its history of Apartheid, while Brazil has been on a slow and as yet undefined path towards articulation of group identities as the force behind public policy and politics.

As argued in Dani and de Haan (2008), the evolution of social policies cannot be seen in isolation from institutional development, and inclusive policies also imply inclusive institutions. In China, India and of course South Africa (but less so Brazil), important institutional changes have taken place, enhancing the representation of deprived groups in governance structures. But these changes are limited; in the case of China primarily by the political control which tends to become more severe when greater autonomy is demanded, and in the case of India by the limited social transformation and informal hierarchy that continues to exert disproportionate influence on policy making, and the severe social churning that follows where this hierarchy is contested. In Brazil, it has been the progressive yet market-oriented populism of President Lula – based on and building support among marginalized groups and in deprived areas – that is contributing to institutional changes.

Social mobilization is playing a critical and different role in the development paths of these countries, as shown by Saith (2008), for China and India. China's top-down political model has involved broad social mobilization, and changing but continued emphasis on democratization at local levels, under the guidance of the Communist Party. This model contributed to the excesses of the Cultural Revolution, but since then has also enabled the potential of rapid policy implementation, facilitated by strong incentives for local leaders to meet development targets. Social mobilization in India

happens under its political democracy, and federalism, which has helped to avoid the major development mistakes of China's Great Leap Forward and Cultural Revolution, makes economic reforms less dramatic than in China. (It is also regionally more diverse, with important implications for states like Orissa, and regional development programmes like 'Kalahandi-Bolangir-Koraput (KBK). Social mobilization has been key, for example, to resistance to large development projects particularly in Adivasi areas, and for the reversal of public policies resulting in the rights-based National Rural Employment Guarantee Act.

## **6. Do Inequalities Matter for the Transformation of Emerging Economies?**

In all four countries very large inequalities exist, but it is critically important to understand the differences between the traditionally high inequalities in Brazil and South Africa, the growing Gini coefficient in China, and the continued low Gini coefficient in India which masks very large social disparities and inequalities in access to growth opportunities. These inequalities are reflected in public policy institutions; and as the previous section described public policies to address these now exist in all four countries, emphasizing the distinctive nature of group inequalities as compared to overall (inter-personal) inequality. The last part of this paper explores whether the different forms of social inequalities and the ways in which policies have addressed these have had an impact on the growth patterns of these emerging economies.

A distinctive feature of what we call emerging economies is that their economic growth occurs as part of and is driven by insertion into global markets. As with broader social policies (de Haan, 2010), globalization imposes multiple pressures: While it has tended to reduce the space for fiscal policies, it also has made strong social policies more urgent, because of the need for a trained and healthy labour force, as well as safety net mechanisms because of the cycles in the global economy (very marked since the 1990s, first in Latin America, then in Asia). Finally, globalization also invites the critical eye of a global community on issues like labour standards (for example, compliance with ILO conventions) and with respect to minority issues, through publications of international organizations, and international fora like the World Conference on Racism in Durban in 2001 (in which, for example, the Indian advocacy group used the international platform to highlight issues of caste discrimination). Being

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part of the international community is having a marked and arguably progressive impact within China, though its policies vis-à-vis minorities remain tightly guarded; while in South Africa as mentioned earlier, the international community did play an important role in ending Apartheid, including through economic boycotts. Former President Lula could finally show both national and international constituencies that liberal economic policies can be accompanied by striving for justice.

Further, there is now recognition and evidence – existing in the earlier literature as in Gunnar Myrdal for example – of the relationship between inequalities and economic growth.<sup>37</sup> First, some growth has been disequalizing, as in China of course, and in India despite stable Gini coefficients, with a direct impact on the relative position of minority groups; and public policies have been forced to address these as we have described above. Second, economic growth through processes of investment and migration alters the form of inequalities, as it implies modes of integration into national economies, often under very disadvantageous conditions, as shown for example in the protests by Adivasi groups in India, and protests and violence in Tibet and Xinjiang.

Third, conversely, inequalities can themselves also impact the pattern and speed of economic growth. Recent international literature has highlighted that ‘initial’ equality of opportunities and access (e.g. micro-finance, land) can be good for economic growth, though these linkages are of course far from simple.<sup>38</sup> Addressing regional inequalities now is a common part of the policies of the large emerging economies, and there may be an argument to make analysis of group inequalities a more explicit part of these policies. Thorat and Newman (2010) explore the consequences of economic discrimination in India. Much research now exists that shows how caste discrimination limits the development potentials of a large part of the population: In China for example, opportunities for migration – apart from in their most exploitative forms – are hampered by language ability and attitudes of discrimination.

Addressing disparities in access to social services also has the potential to contribute to economic growth, including in its integration into global markets. While China’s universal social policies under Mao created one of the preconditions for the post-1978 economic take-off, 25 years later SARS showed to China that it needed universal access to health care, and our own casual observation suggests that much is needed to enhance access in

the poorest and ethnic minority areas. The failure to address nutrition and health in India at a universal scale, which has very significant social group dimensions, has well-known implications for growth potential, as well as for social or private transfers to address the failures of providing adequate health care.

Inequalities also have the potential to affect political stability, and increase pressure for enhancing spending on welfare. Sharp group inequalities in particular can lead to violent conflict, while policies that address those inequalities do not necessarily reduce efficiency or growth (Stewart et al., 2007, p. 31). A small body of economic literature has used simple indicators of diversity, such as an 'ethno-linguistic fractionalization index', to relate these to economic growth, though of course the use of such simple indicators is highly problematic.<sup>39</sup>

The histories of the countries discussed in this paper demonstrate why addressing group inequalities is critical for economic transformation, including when it opens to global markets. South Africa of course was the prime example of how extreme group inequalities are not only objectionable, but also become politically unsustainable (and now demonstrates the challenges and costs of addressing these inequalities). Political stability has been a key concern for the Chinese government in the way it has addressed inequalities in various forms. As mentioned, approaches to Western Development – including vis-à-vis minorities – and the Harmonious Society project have been directly informed by concerns about national unity, and emerging fiscal space has been carefully used for this purpose. Discrimination against minority groups exists in China, and has the potential to come to the fore with its dramatic population movements: For example the violence in Xinjiang in 2009 followed ethnic tension and violence at a Guangdong factory (related to job losses). Both the Indian (Congress) and Brazilian (Lula) governments are dependent on support from deprived groups, often based on social identity, and need to demonstrate the progressive impact of policies like cash transfers and employment guarantee schemes.

Along with some possible technical solutions for group disparities, it needs to be emphasized that these policies are contested, deeply political, and often 'messy'.<sup>40</sup> In China, the social mobilization and radical social churning pre-1978 may have had a beneficial impact on the potentials for rapid economic growth and transformation in China and for its integration into

the global economy, but it was not designed to do this, and as indicated, has also been associated with large excesses. By comparison, India's deep-rooted group inequalities and the inherent limitations of its policies to support deprived groups continue to form a barrier not only for faster poverty reduction and improvement of human development indicators, but also for the potentials for economic modernization and growth. Addressing these inequalities can in itself lead to new inefficiencies, (such as Laloo Prasad Yadav's open acknowledgement of corruption, justifying this with reference to historical injustice). The move towards affirmative action in Brazil has led to lively exchanges in the public media (reduced to a debate about quotas, with allegations of reverse discrimination). The messiness of these processes is a reason for further analysis, not neglect.

## 7. Conclusion

This paper is an attempt to build an analysis of the role of group inequalities in the processes of economic transformation of emerging economies, and the role of public policies in addressing these inequalities. It is based on a conviction that it is critically important to understand the inequalities as they exist, emerge and evolve under these transformations, and the realities beneath summary measures like Gini coefficients. Much quantitative poverty and inequality analysis tends to underestimate the importance of these group inequalities, by using highly simplified measures in cross-country regressions, or focusing on the 'contribution' of group-inequality to (a presumably more important measure of) overall inter-personal inequality.

Apart from limited fiscal opportunities for income redistribution, public policies are almost inevitably challenged by the deeply political nature of group inequalities, often fuelled by perceptions of historical injustice, and often with international dimensions. The public policies in the emerging economies referred to here have all been challenged by these inequalities, and responses are being developed as we speak. There is nothing unique to these countries in their need to respond to emerging (as well as historic) social differences, as the European struggles with integration currently demonstrate, but the size and speed of development of the emerging economies make these questions particularly pertinent, while globalization has put them increasingly in the public domain. We hope this paper may help to promote learning across countries about the formulation and implementation of progressive policies.

## Endnotes

- 1 A first version of this paper was presented at the International Conference on *Dynamics of Rural Transformation in Emerging Economies*, New Delhi, 14-16 April 2010, and preparation of this paper has been made possible by an ICSSR- NWO grant to develop new research collaboration on policies to address group disparities in emerging economies.
- 2 The study of comparisons between the growth paths of India and China has been a growing academic field; see for example Chandra, 2009; and Gulati and Fan, eds., 2007 which focuses on rural development (two chapters deal with poverty programmes, but contain no analysis of group disparities and policies); Zhang et al., 2007; Parikh et al., 2007, Fan and Thorat 2007. The edited volume by Nederveen Pieterse and Rehbein, 2009 focuses on the inequalities within emerging economies, but pays little attention to how these inequalities have started to become central to policy agendas.
- 3 Except in 1998-99, when poverty did not decline; Falkner and Loewald, 2008. South Africa's macroeconomic policies were designed to reap the economic benefits of globalization, by increasing South Africa's exports and attracting foreign capital.
- 4 The inequality data for these countries might suggest a Kuznets-type of relationship (World Bank, 2005, pp. 43-44); however plotting a larger set of developing and emerging economies (Graph 1 in Appendix) does not bear this out, suggesting that any relationship between GDP and Gini will be context-specific.
- 5 Gini coefficients of income are of course highly aggregate and uni-dimensional measures, but available trend data do serve an important purpose in this paper, though of particular concern is the possibility that the richest tend to be under-represented in household surveys. Moreover, as the recent revision of Purchasing Power Parity (PPP) poverty data by the World Bank (and for example the huge changes in the estimates for China) indicates, comparisons of income/consumption data across countries remains highly problematic.
- 6 Datt and Ravallion, 2002. For example, in 1992, rural poverty incidence varied from 15 per cent in Punjab to 60 per cent or more in Maharashtra and Bihar, and in 1999/2000 the state-wise variation was from 6 per cent in Punjab to 47 per cent in Orissa. The variation across 'NSS regions' is even larger, and increasing (de Haan and Dubey, 2003; de Haan, Dubey and Sabharwal, 2009) .

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- 7 Lanjouw and Rao, 2010 discuss studies that use an 'inequality decomposition' in India that find a small contribution of group inequality to overall inequality compared to individual-specific characteristics. Their alternative method ('partitioning index') yields larger differences in one Indian village but not in another.
- 8 See for example Elbers et al., 2008, literature reviewed in Kanbur et al., 2009, and World Bank, 2005, 43 ff. In this paper we define 'groups' loosely in the sense of Frederik Barth's (1969) emphasis on boundaries, boundary maintenance, and self-identification as constitutive of ethnic groups, but with an emphasis on the state administration's categories (and labels) and control as superimposing on these identities, while for the descriptive statistics we have to rely on the official categories as represented in national statistics.
- 9 These processes have been documented in some detail in de Haan, 2007a. The literature has classified approaches to group inequalities under headings of 'consociationalist' (associated with the work of Lijphart), referring to promoting the institutionalisation of coalitions and representations of groups, and of 'integrationist' (represented in the work of Horowitz) where policies focus on reducing incentives for group mobilisation (Stewart et al., 2007, p. 11). The Indian approach appears closest to the first model, while China's policies defining a large Han majority (though not vis-à-vis the defined minorities) seem to illustrate the second.
- 10 Gladney, 2004, p.6, who notes (pp.38, 6) that the Han are often represented as being at the top of the social evolution of a Marxist historical trajectory.
- 11 Han is also recognized as a *minzu* or nationality, and Gladney, 2004, p. 14, emphasises that the term became current only with the shift from empire (when Han *ren* or person was a common term) to modern nation-state.
- 12 Skidmore, 2003 provides a short description of the turn-around in the debate in Brazil during the 1990s, and the move towards promotion of affirmative action.
- 13 Asian and indigenous populations form less than 0.5 per cent of the Brazilian population each. Census and surveys usually use self-identification to categorize groups.
- 14 It seems that this estimate is based on income data from regions (minority regions) rather than social groups. As far as we are aware, China does not collect or analyze data per social group as is the case in India. Rural Household Survey data refers to population in minority

villages, defined as at least one-third of the population comprising of minority groups (Source: World Bank Poverty Assessment). Social inequalities do not feature strongly in the literature of inequality in China (eg Wan, ed., 2008; Fan et al. 2009).

- 15 Their panel analysis shows that compared to the majority, the higher rates of poverty are linked to higher rates of *falling into* poverty, while rates of exit out of poverty are similar.
- 16 Migration data are analysed in de Haan and Dubey, 2006. It is important to point out that the poorest also migrate, but under the most exploitative conditions. Similar data for China are not available though observation suggests that minority groups may have faced barriers to migration, because of distance and language.
- 17 Minority Rights Group International concludes that “while 85 per cent of Adivasis live in poverty, they receive little or none of the wealth extracted from their land” (<http://www.minorityrights.org/4047/reports/the-ativasis-of-india.html>).
- 18 See further for example Thorat and Newman, 2010; Thorat and Umakant, 2004; Jodhka, 2010 on dalit businesses
- 19 With a slightly higher increase in employment among blacks; Borat, Mayet and van der Westhuizen, 2010.
- 20 <http://www.irinnews.org/Report.aspx?ReportId=88038>
- 21 This has been used and extended by Gough and Wood, 2004; Abu Sharkh and Gough, 2008; de Haan, 2007, in which the author focuses on ‘principles of solidarity’; de Haan, 2010b; and de Haan and Sabharwal, 2009 which provides a China-India comparison.
- 22 Förster and Arnal, 2010, calculate the poverty reducing effect of public transfers in Brazil and South Africa, indicating Brazil’s pattern of public spending is less progressive.
- 23 Literature on policies vis-à-vis deprived groups with a comparative perspective include Stewart et al., 2007, and Weisskopf, 2004.
- 24 Htun, 2004, describes this as a surprising turnaround, as the result of social mobilization, presidential (Cardoso’s) initiative, and national soul-searching provoked by the World Conference on Racism. Political mobilization around race had been growing since the 1970s, and research on race inequalities promoted by the Ford Foundation during the same period (*ibid.*, pp. 75-9). The organization of domestic workers against ‘elevator apartheid’ is considered a key event in the mobilization

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that brought race inequalities to the focus of attention (Guillebeau, 1999, pp. 455-56).

- 25 Presentation by the Vice Minister at a UNDESA session of the UNESCO conference in Buenos Aires, February 2006. See further <http://www.cidh.org/countryrep/brazil-eng/Chaper%209%20.htm>, for a description of the legislation and forms of affirmative action.
- 26 Experience in Latin America with new forms of affirmative policies is limited (Buvinic and Mazza, 2008).
- 27 By the end of 1998, five autonomous regions, 30 autonomous prefectures and 120 autonomous counties (banners) had been established, as well as 1,256 ethnic townships.
- 28 <http://www.china.org.cn/e-white/4/index.htm>
- 29 According to NBS (National Bureau of Statistics) 2008 data, government spending as a proportion of regional economic product, while under 20 per cent in richer provinces, was 80 per cent in Tibet (but a much lower 23 per cent in Xinjiang).
- 30 <http://hrichina.org/public/PDFs/MRG-HRIC.China.Report.pdf> describes inequitable development, lack of political participation, and denial of cultural rights. See also [http://www.cecc.gov/pages/annualRpt/annualRpt05/2005\\_3a\\_minorities.php](http://www.cecc.gov/pages/annualRpt/annualRpt05/2005_3a_minorities.php). Fischer, 2005 emphasises the relative lack of space for local policy making in Tibet.
- 31 *The Wall Street Journal*, 11 July 2009.
- 32 We are not aware of studies that look at the impact of development policies on minorities. The impression of the first author based on experience with DFID and World Bank programmes in southern China suggests that while many programmes are *targeted* to deprived areas/groups, there is little in the design of these programmes that address socio-cultural barriers to access.
- 33 Whether China's model of decentralized policy piloting and implementation has provided space for different models in ethnic minority areas needs further investigation.
- 34 Differences between Gandhi and Ambedkar, the leader of the untouchables, and the secular ideals of Nehru prevailed and have continued to influence the political sphere.
- 35 Several actors including regional political parties and interest groups, and West Bengal's Left Front government had demanded this. The central government and earlier the Supreme Court decided against it

on basis of both practical difficulties and the strife this could lead to (Times of India, 7 March 2010, [indiatoday.intoday.in/site/Story/87056/Headlines%20Today%20Top%20Stories/No+caste-based+census+in+2011.html](http://indiatoday.intoday.in/site/Story/87056/Headlines%20Today%20Top%20Stories/No+caste-based+census+in+2011.html), accessed 27 June 2010). But subsequently this decision was reversed, and caste was included (probably at the last minute) in the Census, for which operations started in April 2011.

- 36 The United Progressive Alliance proposed a “national dialogue with all political parties, industry and other organizations to see how best the private sector can fulfil the aspirations of scheduled caste and scheduled tribe youth” (<http://www.pmindia.nic.in/cmp.pdf>).
- 37 While inequality was by and large absent from the international development debate in the 1980s-90s (outside Latin America, perhaps), it has made some sort of a comeback at the end of the 1990s, even though the dominant paradigm has continued to take the form that ‘growth *is* good for the poor’. The 2006 *World Development Report*, while showing that inequalities in the world’s poorer countries were higher than often assumed, made a convincing argument for an *instrumental* case for addressing inequalities; while Ravallion has convincingly shown how much inequality matters for the impact of growth on poverty reduction.
- 38 Notably, the role of land inequalities is very complex, as comparisons across Indian states can show: if land reform is accompanied by elites moving out of agriculture and taking up opportunities in other sectors, the reform is likely to promote economic transformation.
- 39 Kanbur et al., 2009, drawing on, amongst others, Collier, Alesina and Ferrara.
- 40 In Rwanda, affirmative action was part of the extremely violent inter-ethnic strife (Mamdani, 2001); Malaysia is usually quoted as a case where affirmative action has helped to build cohesion or at least stability.

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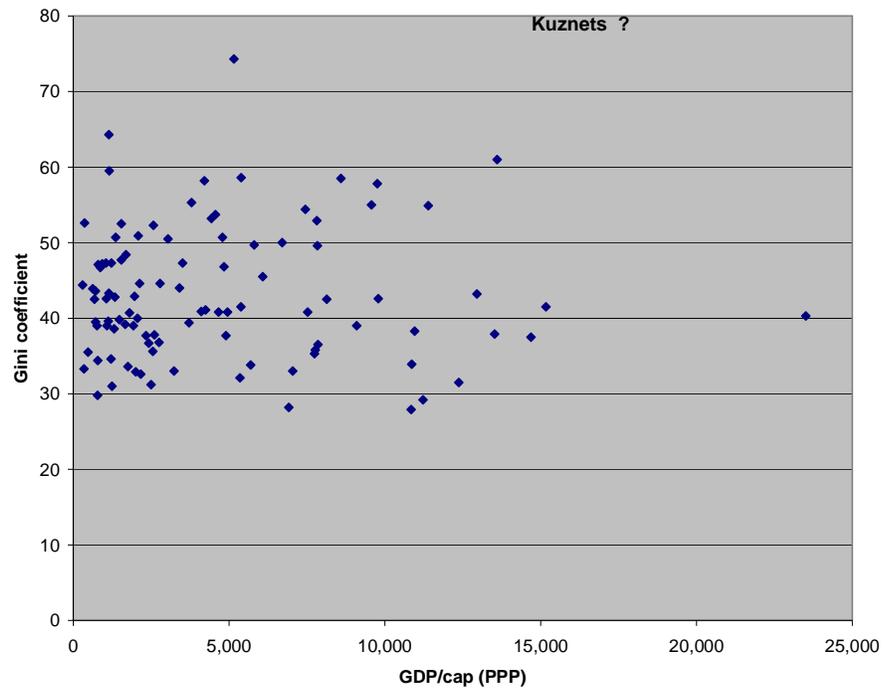
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## Appendix

Graph 1: Kuznets: is there a GDP-inequality relation?



# Recent IIDS Publications

## Books

- Blocked by Caste: Economic Discrimination and Social Exclusion in Modern India, *Sukhadeo Thorat and Katherine S. Newman*, (Eds.), New Delhi, Oxford University Press, 2010
- Dalits in India - Search for a Common Destiny, *Sukhadeo Thorat*, Sage Publications, 2009
- Social Justice Philanthropy, *Sukhadeo Thorat, Gail Omvedt and Martin Macwan*, Rawat Publications, 2009
- In Search of Inclusive Policy - Addressing Graded Inequality, *Sukhadeo Thorat and Narender Kumar*, Rawat Publications, 2008
- B. R. Ambedkar - Perspectives on Social Exclusion and Inclusive Policies, *Sukhadeo Thorat and Narender Kumar* (Eds.), Oxford University Press, 2008

## Forthcoming Books

- A Reader in Dalit Studies, *John Webster and Sukhadeo Thorat* (eds.), IIDS and Rawat Publications, Jaipur.
- My Story - Dalit Atrocities, Struggles and Future, *Martin Macwan* (Translated and edited by Prashant Negi) IIDS and Rawat Publications.
- Social Justice Philanthropy: A Study of Dalit NGOs, *Sukhadeo Thorat and Martin Macwan*.
- Dalit Human Development Report, *Sukhadeo Thorat and Martin Macwan*
- Dalit Art and Imagery, *Gary Michael Tartakov*

## Working Papers

- Religious Communities in India: A Development Profile, *Amit Thorat*, Volume 02, Number 01, 2011, IIDS-RaD Working Paper Series
- Addressing Group Inequalities: Social Inclusion Policies the Great Transformation of Emerging Economies, *Arjan de Haan and Sukhadeo Thorat*, Volume V, Number 02, 2011
- Exclusion of and Discrimination against the Indigenous Communities Case Study of the Philippines, *Erlinda Montillo-Burton and Chona R. Echavez*, Volume V, Number 01, 2011
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- Hostel Schemes for Dalit Students: How Inclusive and Incentive Oriented for Higher Education?, *Sobin George and Deeba Naseem*, Volume IV, Number 07, 2010
- Ethnicity, Religion and Culture Based Exclusion and Discrimination in Aotearoa/New Zealand, *Martin Fuchs and Antje Linkenbach*, Volume IV, Number 06, 2010
- Comparative Contexts of Discrimination: Caste and Untouchability in South Asia, *Surinder S. Jodhka and Ghanshyam Shah*, Volume IV, Number 05, 2010
- Ethnicity, Religion and Culture based Discrimination: A Study of Malaysia, *S.N. Malakar and Chittaranjan Senapati*, Volume IV, Number 4, 2010

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