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The political process in nations: Civil society participation and income inequality

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Abstract

This study delves into the influence of civil society participation on income inequality, a topic that has received limited scholarly attention. Civil society participation refers to the activities of citizens who organize into various groups, known as civil society organizations, to pursue common interests and goals. These organizations span a wide range, including interest groups, labor unions, spiritual bodies engaging in civic or political activities, social movements, professional associations, charities, and other non-governmental entities. Our research utilizes an extensive panel dataset, encompassing a global sample of countries from 1975 to 2019. We aim to comprehensively analyze the direct effects of civil society participation on income inequality. Our findings reveal that higher levels of civil society participation are effective in reducing inequality over the short, medium, and long term. These results have significant implications for policymakers. They suggest that encouraging and facilitating civil society participation could be a viable strategy for addressing income inequality. By understanding the dynamics of how civil society engagement influences economic disparities, policymakers can better design and implement measures that promote more equitable economic outcomes. This research contributes to the broader discourse on economic inequality and the potential role of civil society in mitigating it.

1 | INTRODUCTION

Income inequality is a topic of significant importance and relevance in the modern world. It refers to the unequal distribution of income within a population and can have a significant impact on the well-being and opportunities of individuals and their families. Income inequality is a major dimension of social stratification and class, and is affected by many other forms of inequality, such as inequalities in wealth, political power, and social status. Contributing factors to this inequality include, but are not limited to, restricted access to quality education, inadequate healthcare systems, and unequal opportunities for economic advancement. Such conditions precipitate an erosion of prospects for enhancing living standards and securing a stable financial future, potentially catalyzing political and social unrest. The study of income inequality is essential to understanding income disparities between different segments of the population. Researchers analyze the distribution of income according to factors such as gender, ethnic origin, geographical location, and occupation (e.g., Hong Vo et al., 2021; Sylwester, 2004; Wright, 1978; Yitzhaki & Lerman, 1991). Notably, societies equipped with stronger social safety nets and more robust economic institutions exhibit a less pronounced degree of income inequality (Roser & Cuaresma, 2016). These insights are instrumental for policymakers in devising precise and effective strategies aimed at mitigating income inequality and fostering equitable economic opportunities across the board. In sum, the issue of income inequality demands concerted focus and remedial measures.

Civil society participation refers to the public sphere that exists between the private domain and the state, in which citizens organize themselves into groups to advance their collective interests and aspirations. These groups are commonly referred to as civil society organizations (CSOs). CSOs include interest groups, labor unions, religiously inspired organizations (if they are engaged in civic or political activities), social movements, professional associations, and classic nongovernmental organizations (Coppedge et al., 2022).[1]

The significance of CSOs in shaping policymaking processes has become increasingly prominent within contemporary political landscapes. As pivotal intermediaries between citizens and governments, CSOs assume a crucial role in articulating and advocating for the interests of diverse societal stakeholders. They engage in compelling advocacy and lobbying endeavors, leveraging their expertise, research, and mobilization capabilities to effectively communicate policy proposals to policymakers (Fioramonti & Heinrich, 2007). CSOs exert influence by presenting cogent arguments and evidence-based recommendations through informed position papers, policy briefs, and public campaigns (Pollard & Court, 2005). Moreover, they facilitate public awareness and engagement on policy issues, inspiring citizens to actively participate in the policymaking process. By organizing public forums, town hall meetings, and protests, CSOs amplify public sentiment and draw attention to pertinent policy matters (Fioramonti & Heinrich, 2007). In the realm of evidence-based policy formulation, CSOs provide valuable research and expertise. Through the production of reports, studies, and analyses, they furnish policymakers with credible data, thereby fostering informed decision-making. Additionally, CSOs frequently collaborate with like-minded organizations and stakeholders, forging coalitions that enhance their collective influence. These partnerships allow CSOs to pool resources and share strategic insights, further magnifying their impact on policy outcomes (Crewe & Young, 2002). Furthermore, CSOs serve as vigilant watchdogs, continuously monitoring policy implementation and holding governments accountable for their actions. Through critical assessments and oversight mechanisms, CSOs contribute to increased transparency and the promotion of responsible governance (Fox, 2001). Addressing matters of social justice and human rights, CSOs advocate for marginalized groups and underrepresented interests. By championing these causes, they influence policies that promote inclusivity and the equitable distribution of resources (Fioramonti & Heinrich, 2007). Moreover, CSOs play a crucial role in catalyzing policy innovations by challenging conventional thinking and proposing novel solutions to societal challenges. Serving as incubators of creative ideas, CSOs inject dynamism into the policy discourse (Pollard & Court, 2005).

[1]CSOs do not include businesses, political parties, government agencies, or religious organizations that are primarily focused on spiritual practices. A CSO must also be at least nominally independent of government and economic institutions.

Previous scholarly investigations have revealed that CSOs wield a multifaceted impact within a country, encompassing their influence on the policymaking process (Fioramonti & Heinrich, 2007), their role in furnishing evidence-based recommendations to policymakers (Pollard & Court, 2005), and their contribution to fostering transparency and responsible governance (Fox, 2001). Additionally, CSOs are instrumental in addressing matters concerning social justice and human rights by advocating for marginalized and underrepresented groups. Through such endeavors, they exercise influence over policies geared toward promoting inclusivity and equitable resource allocation (Fioramonti & Heinrich, 2007).

For instance, in North Macedonia, certain CSOs have effectively employed media campaigns and modern social technologies like wikis and blogs to disseminate information to the populace and advocate for public service provisions (Fioramonti & Heinrich, 2007). Notably, due to deficiencies in state-provided services and inadequacies in the public sector, numerous North Macedonian CSOs have targeted marginalized communities and actively engaged in nonviolent conflict resolution activities to alleviate ethnic tensions and hostilities that persist since the 2001 conflict. Moreover, the civil society sector in North Macedonia has emerged as a prominent and successful advocate for women's empowerment, effectively organizing women across various strata to safeguard their rights and interests.

Furthermore, the Czech Republic offers another illustrative example where CSOs demonstrate their capacity for forming alliances and networks to monitor human rights (Fioramonti & Heinrich, 2007). One significant instance involved a racially motivated police attack on a Roma family in May 2003, where a coalition of nongovernmental organizations protested against the authorities' handling of the investigation and criticized the lack of thorough inquiries into recurrent human rights violations perpetrated by the police against the Roma community. By leveraging their collective strength through coalition building, Czech nongovernmental organizations garnered media attention and exerted pressure on the authorities to account for their actions.

Despite these valuable insights into the diverse impacts of CSOs, the existing literature has yet to explore the direct effect of CSOs and, more specifically, the influence of civil society participation on income inequality between countries. Thus, this study aims to make a notable contribution to the existing scholarly discourse by investigating the factors that shape income inequality. Specifically, our research seeks to address the question of whether citizen participation in CSOs, where they collectively advance their interests and aspirations, can exert an influence on income inequality. To the best of our knowledge, we are the first to analyze the direct effect of civil society participation on income inequality.

In this study, we utilize an extensive panel dataset representing a global sample of countries, covering the annual timeframe from 1975 to 2019. Our focus is to empirically examine the relationship between civil society participation and income inequality. The baseline findings of our investigation suggest that the higher the participation of civil society, the lower the income inequality, as measured by Solt's (2020) Gini index. This baseline finding remains robust after a battery of robustness checks. These include alternative measures of inequality and civil society participation, an instrumental variable, the addition of further control variables, examination of the medium- and long-term effects of civil society participation on inequality, the Lewbel (2012) two-stage least squares (2SLS) method, and accounting for unobserved confounders. The implications of these findings are profound for policymakers, underlining the necessity of adopting strategies to reduce income inequality. A pivotal approach involves empowering citizens to coalesce and mobilize within the public domain through engagement with CSOs. This strategy is instrumental in advancing and defending the collective interests and aspirations of the populace. Consequently, in the wake of these revelations, it is incumbent upon policymakers to cultivate a conducive environment that nurtures citizen participation through various channels. Such an initiative is essential for fostering equitable socioeconomic outcomes, thereby contributing significantly to the amelioration of income disparity. This underscores the policy implications of civil society participation as a cornerstone in the quest for more balanced and fair income distribution.

The following discourse is structured as follows. Section 2 expounds upon the theoretical underpinnings that establish the interconnection between civil society participation and income inequality. Proceeding further, Section 3 describes the empirical approach and the data utilized in the model. The ensuing segment, Section 4, presents the empirical findings. Finally, Section 5 concludes the paper.

2 | THEORETICAL CONSIDERATIONS

In the realm of political processes, CSOs hold the potential to wield considerable influence. Their capacity to monitor governmental policies and ensure the state's accountability to its citizens, alongside collaborating with public authorities to execute specific action plans and engaging in advocacy efforts to promote legislation aligned with civil society interests, defines their scope of impact. Investigating the interaction dynamics between CSOs and governmental institutions, the existing literature (e.g., Fioramonti & Heinrich, 2007) generally observes diverse forms of cooperation, frequently driven by government initiatives.

Given the above, one of the primary mechanisms through which CSOs impact income inequality is by engaging in advocacy and policy influence. These organizations employ various strategies, such as research-based policy recommendations, lobbying, and public awareness campaigns, to influence policymakers and advocate for progressive socioeconomic policies. Through their networks and expertise, CSOs can bridge the gap between marginalized communities and decision-makers, thereby advancing policies that aim to reduce income disparities. In the realm of political dynamics, secondary channels of political engagement, exemplified by active participation in CSOs, play a pivotal role in fostering collective action and addressing information asymmetries (Putnam, 2000; Schlozman et al., 2012; Verba et al., 1978). Pollard and Court (2005) state that in the pursuit of advocating pro-poor policies, CSOs are driven by three primary objectives. First, they seek to inspire societal backing for particular issues or courses of action by fostering a discourse that stimulates interest and concern. This entails introducing novel perspectives or challenging prevailing ones, thus crafting fresh approaches or "policy narratives." Second, CSOs aim to inform the public by serving as representatives for diverse viewpoints, disseminating their expertise and experiences, and presenting innovative policy approaches. Third, their efforts are geared toward effecting tangible improvements in policy domains. This encompasses introducing valuable additions, rectifying existing shortcomings, and inducing changes to policy matters. In addition, CSOs undertake the essential responsibility of holding policymakers accountable for their decisions, while simultaneously engaging in rigorous self-assessment to enhance their service provision. A culture of learning from one another pervades these organizations, enabling mutual growth and knowledge sharing.

Furthermore, civil society participation acts as a catalyst for the generation and accumulation of social capital. By engaging in civil society activities, citizens have the opportunity to build interpersonal relationships, develop trust, and foster shared values and norms (Alesina & Giuliano, 2011). When individuals come together to pursue common goals, bonding social capital is strengthened, fostering a sense of solidarity and mutual support within homogeneous groups. In addition, civil society participation serves as a mechanism for creating bridging social capital. As citizens engage in activities that transcend their immediate social circles, they encounter individuals from different backgrounds, forging new connections across diverse communities. This interaction enables the exchange of ideas, resources, and information, ultimately contributing to the development of broader social networks and increased social cohesion (Blake et al., 2023).

In this context, social capital generated through civil society participation plays a pivotal role in reducing income inequality through various mechanisms. First, networks formed through civil society engagement provide individuals with access to valuable resources such as job opportunities, education, and financial support. This fosters economic mobility and reduces the barriers faced by disadvantaged individuals in accessing critical resources (Lu et al., 2021). Second, the collective action facilitated by social capital empowers marginalized communities to advocate for their rights and demand equitable policies. This enables them to influence decision-making processes and address systemic issues contributing to income inequality (Keefer, 2009). Third, strong social networks within civil society can function as informal safety nets, providing support to vulnerable individuals during times of financial hardship or crises. These safety nets can alleviate the burden of income inequality by redistributing resources more equitably (Rosser et al., 2000). Last, social capital promotes the development of inclusive and participatory institutions, encouraging the representation of diverse voices in policy formulation and implementation. Inclusive governance can lead to policies that address income disparities and prioritize social welfare (Bjørnskov & Svendsen, 2013). Previous

studies have empirically examined the direct effect of social capital on income inequality and have shown that social capital reduces income inequality through the abovementioned mechanisms (e.g., Dutta & Sobel, 2023; Ram, 2013).

Moreover, increased engagement of civil society can have a discernible impact on policymakers, subsequently influencing the magnitude and structure of government spending. This phenomenon becomes particularly relevant when democratically elected administrations resort to inflationary measures in order to meet the demands of the public for redistributive government expenditures, a circumstance that has been observed in contexts characterized by heightened levels of inequality, such as in Latin America during the 1980s (Desai et al., 2003; Sachs, 1990). In his seminal work, Crowe (2006) introduces the concept of "elite bias," which pertains to the proclivity of policymakers to accord precedence to policies that cater predominantly to richer consumers. The author posits that democratization and heightened involvement of civil society in the political process serve to mitigate this bias toward the elite, thus striving for a more equitable policy formulation and implementation.

Lastly, case studies provide further evidence of the interconnection between civil society engagement and income inequality. The seminal Italian case study conducted by Putnam et al. (1992) associates higher civic participation with more equitable income distribution, drawing on Eurobarometer survey data (1975–1989). Civic involvement, extending to nonpolitical groups like choral societies, fosters cooperation skills, social trust, and political sophistication, indirectly shaping income distribution and social equity. Regions with robust civic networks, as observed by Putnam et al. (1992), exhibit accelerated economic growth and more effective public institutions. Their analysis further reveals civic traditions as more significant than early 20th-century economic factors in predicting income levels in the 1980s, emphasizing civic engagement's enduring economic impact. The study also highlights the role of grassroots initiatives and political mobilization in mitigating isolation and fostering equitable income distribution. Putnam et al.'s (1992) work suggests that in complex societies, social capital's role in curbing opportunism and promoting fairness is increasingly vital. This dynamic explains the diverging fortunes of civic-rich and civic-poor regions, impacting social equality. Moreover, the cultural foundations of civic communities, through norms and engagement networks, are crucial for collective action and income equality. The interdependence of effective democracy, socioeconomic modernization, and civic participation is also underscored, offering insights into civil society's influence on income inequality and redistribution.

Furthermore, Ekiert et al.'s (2017) case study elucidates the intricate and multifaceted role of Poland's civil society in mitigating economic inequality post-1989. In the pivotal early phase of Poland's socioeconomic overhaul (1989–1994), labor unions adopted a reformist demeanor, collaboratively engaging with the government, thus aiding significant economic reforms and bolstering Poland's GDP growth. The study observes a consistent upsurge in philanthropy and volunteerism in Poland from 1989, attributing it to the increasing societal wealth and rising needs of people, which in turn fosters charitable actions. This robust, high-quality civil society engagement, vital in moderating economic disparity, acts as a system of checks and balances, ensuring accountability and curtailing the rent-seeking of economic elites. Consequently, these developments, underpinned by a vigorous civil society, have been instrumental in managing economic inequality more effectively in Poland compared with other postcommunist nations.

3 | DATA AND EMPIRICAL STRATEGY

3.1 | Data

The present study scrutinizes the nexus between civil society participation and income inequality through the application of annual panel data at the country level encompassing over an extensive time span from 1975 to 2019.[2]

Our key dependent variable is a metric of within-country income inequality, measured by the Gini index. Data on the Gini coefficient of both disposable and market income are from the Standardized World Income Inequality

[2]Table A1 in the Supporting Information (S4) provides the exact list of countries used in our study.

Database (SWIID) (Solt, 2020). Solt utilized a systematic approach to assess the relationships among Gini coefficients, and further employed specific algorithms for handling instances of missing data, using the Luxembourg Income Study (LIS) as a reference point.

A comprehensive, cross-country study of income inequality requires comparable data with extensive coverage. Commencing in the year 1960, the SWIID serves this purpose by offering data on the Gini coefficient of disposable income for up to 196 countries and 5422 country-years. The dataset also includes estimates for the Gini coefficient of market income, absolute redistribution, and relative redistribution. For the purposes of our analyses, we utilize the Gini coefficients of disposable and market income. The SWIID improves upon previous data collections by considering systematic relationships among various operationalizations of Gini coefficients. Unlike other databases that use fixed adjustments, the SWIID avoids assuming constant ratios between different inequality measures over time. Instead, it classifies the data into different categories, drawing from different sources. Regarding the inclusion criteria, the SWIID source data must have a recognizable welfare definition and equivalence scale. The four welfare definitions used are market income, gross income, disposable income, and consumption. Market income excludes government cash or near-cash benefits and private transfers, representing pre-tax, pre-transfer income. Gross income combines market income and transfer payments, representing pre-tax, post-transfer income. Disposable income is gross income minus direct taxes, indicating post-tax, post-transfer income. Consumption does not refer to incoming money but rather to outgoing expenses. Equivalence scales account for household size and composition in calculating members' welfare. The per capita scale divides household income by the number of members but does not fully consider economies of scale. Other adult-equivalent scales attempt to address this by calculating the number of "equivalent adults" in the household based on various approaches. To generate Gini coefficients, the SWIID employs a fully Bayesian approach using the Stan modeling language, estimating the LIS baseline for countries and years where it is not available based on other available source data.

The SWIID provides a comprehensive dataset on income inequality across a diverse set of countries and time periods. Its foundation lies in the utilization of the LIS as the benchmark, alongside the incorporation of various Gini indices from multiple sources, including the Organization for Economic Co-operation and Development, the Center for Distributional Labor and Social Studies, the World Bank, national statistical offices, and academic research. The process begins with estimating the relationships between the Gini indices obtained from the LIS and those from other sources for corresponding country-years. These estimated relationships are then employed to predict Gini indices for country-years not available in the LIS but present in other sources. The intricate technical details of this methodology have been expounded in Solt's publication of 2020.

With the inclusion of supplemental data by the LIS and other sources, Solt conducts a meticulous evaluation of the database's quality. Comparisons between previous SWIID estimates and the newly available data exhibit gratifying compliance with various statistical criteria. Owing to its distinct advantages of providing comparable data and comprehensive coverage, the SWIID has garnered increasing utilization in scholarly literature (e.g., Bergh et al., 2020; Matsubayashi & Sakaiya, 2021; Vu, 2021).

Nevertheless, an external evaluation of the SWIID has raised concerns as articulated by Jenkins (2015). Notably, Jenkins scrutinizes certain fundamental assumptions concerning multiple imputation, specifically questioning the plausibility of the four aforementioned criteria, and advocates for greater transparency. While Solt has omitted data prior to 1960 due to concerns about data quality, Jenkins contends that this action may be insufficient as observations for developing countries could still suffer from low quality post-1960. In this study, we utilize data from 1975 onward to ensure heightened reliability.[3] Additionally, Jenkins' assessment pertains to an earlier iteration of the SWIID dated September 2013. Subsequent to this evaluation, the database has undergone updates, and we rely on version 9.3, as of June 2022, with additional data accessible online for the replication of the SWIID.

[3]This particular starting point is also congruent with the availability of the other variables utilized in our analyses, as the comprehensive dataset for these variables across the majority of the countries in our sample is accessible from the year 1975 onward.

In summary, the SWIID represents an innovative resolution to the inherent trade-off between the breadth of country coverage and the quality of data. Consequently, it is unsurprising that researchers have progressively turned to these data for empirical investigations. In the context of our analysis, which concentrates on a panel of countries from 1975 to 2019, our primary focus lies in examining within-country changes over time. Accordingly, the levels of income inequality per se do not figure prominently in our estimations.

The main explanatory variable in this study is the civil society participation index and is available from the V-Dem dataset (Coppedge et al., 2022). The sphere of civil society is positioned in the public realm that separates the private sphere from the state. It serves as a space where citizens come together to advance their collective interests and ideals through the establishment of CSOs. Such organizations encompass a wide range of groups including but not restricted to interest groups, labor unions, spiritual organizations involved in civic or political pursuits, social movements, professional associations, charities, and other nongovernmental entities. More specifically, the civil society participation index captures (1) the extent to which policymakers regularly seek input from major CSOs, (2) the extent of individual involvement in CSOs, (3) whether women are systematically prevented from engaging in CSOs, and (4) whether the process of nominating legislative candidates is primarily decentralized within party organizations or primarily relies on party primaries. The explanatory variable takes values within the interval $[0, 1]$, where higher values correspond to greater levels of civil society participation and involvement in the political process. The map depicted in Figure 1 illustrates the mean civil society participation index across countries from 1975 to 2019. It is evident from the figure that higher levels of participation, represented by darker hues, are concentrated in developed regions, including Western Europe, Scandinavia, North America, Australia, and New Zealand. In contrast, developing countries, such as Libya, Turkmenistan, and Uzbekistan, are denoted by lighter shades, indicating comparatively lower levels of participation.

The phenomenon of lower levels of civil society participation in developing countries is not a surprising one, as these nations often encounter resource deficits and significant economic and social challenges, such as poverty, limited access to education and healthcare, and inadequate infrastructure. Such obstacles can impede individuals from participating in civil society activities, as they may lack the time, energy, or resources to engage in such endeavors (Huntington & Nelson, 1976; Lawless & Fox, 2001). Furthermore, limited political freedom in some developing countries, including restricted civil liberties, can dissuade citizens from participating in civil society activities, as they may fear persecution or retribution from the government for speaking out against government policies or participating in protests (Feng, 2001). Cultural norms and values can also play a pivotal role in shaping civil society participation in developing countries, as cultural priorities may place a higher emphasis on family and community over individual activism and participation in civil society (Bisin & Verdier, 2000; Guiso et al., 2006). This can lead to a lower number of people who are willing to participate in civil society activities. Additionally, a lack of trust in government institutions and CSOs in developing countries can hinder citizen mobilization, as citizens may doubt that their actions will make a difference (Denton & Sanborn, 2023). Limited access to information and communication technology can also serve as a barrier to civil society participation, as without access to information about civil society activities and opportunities to participate, citizens may be unaware of the potential benefits of participation in civil society (Arko-Cobbah, 2008). Thus, these challenges collectively contribute to making it more difficult for individuals in developing countries to participate in CSOs.

Control variables encompass a comprehensive set of economic and political determinants that exert influence on income inequality. Empirical evidence underscores the significance of economic development as a pivotal factor in this context. Thus, our model incorporates several crucial control variables, including GDP per capita, which is measured using its natural logarithm, government consumption as a proportion of GDP, average years of schooling as an indicator of education, and life expectancy. Moreover, to provide a more comprehensive analysis, we take into consideration trade openness, which is represented by the ratio of imports and exports to GDP, and foreign direct investment, quantified as net capital inflows relative to GDP, serving as an indicator of de facto financial openness. Additionally, inflation, as a reflection of monetary policy, and the rate of unemployment, which pertains to fiscal policy, are incorporated as determinants of inequality. Finally, we introduce an indicator capturing the orientation of the

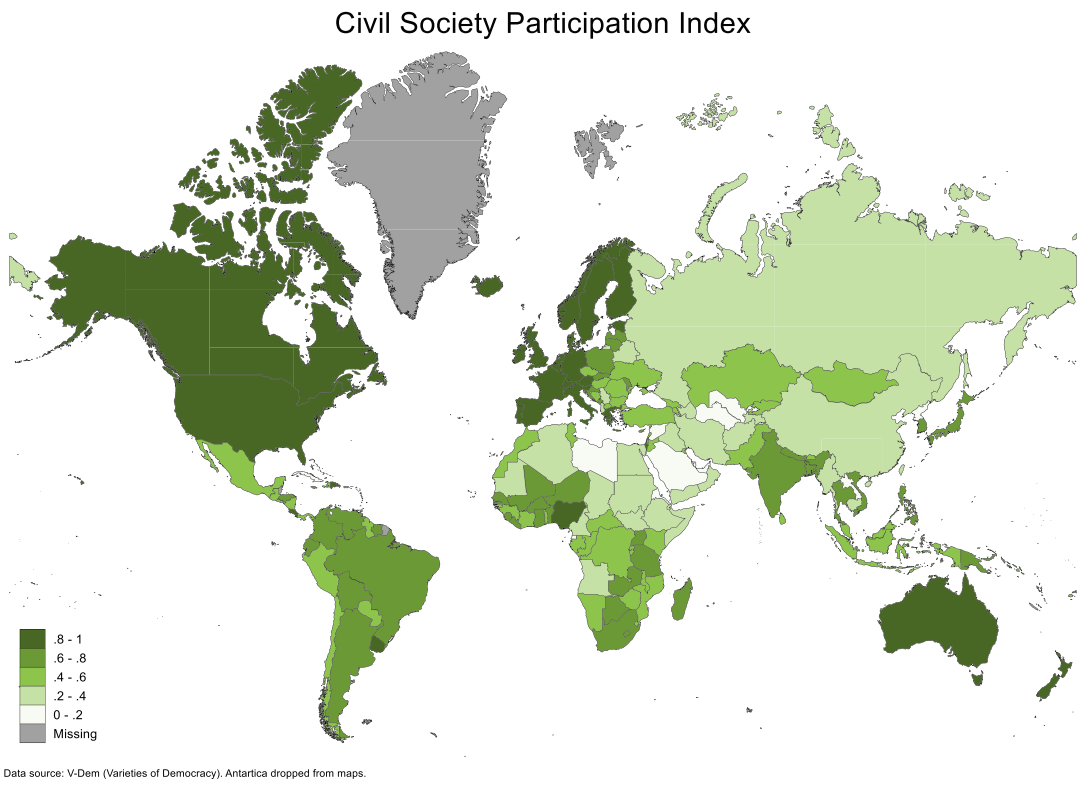

FIGURE 1 Average civil society participation across countries between 1975 and 2019. [Colour figure can be viewed at wileyonlinelibrary.com]

leading political party. We hypothesize that left-wing governments, characterized by higher values of this indicator, may exhibit greater concern for income inequality and implement policies aimed at reducing it. In summary, these variables collectively constitute the baseline controls for our study, enabling us to account for a wide array of economic and political determinants that could potentially influence the level of inequality within a given context. Summary statistics and detailed variable definitions with data sources for each variable used in our analysis are available in Table A2 in the Supporting Information (S4).

3.2 | Empirical identification

To estimate the benchmark relationship between civil society participation and income inequality, we employ the following specification:

$$Gini_{it} = a + \beta X'_{it} + \gamma CSP_{it} + \kappa_i + \delta_t + \varepsilon_{it}, \quad (1)$$

where the Gini coefficient, encompassing either disposable or market income, is denoted by *Gini*. Civil society participation is captured by *CSP*, while the vector of control variables, as previously explicated, is represented by *X*. The constant is denoted by *a*, while κ and δ represent country and year fixed effects, respectively. Additionally, ε denotes an independent identically distributed random error. The subscripts *i* and *t* are used to index individual countries and time periods, respectively. The coefficient of particular interest, denoted by γ, serves as a quantification of the

degree of responsiveness of inequality to civil society participation. As such, it allows us to ascertain the influence and impact of civil society participation on income inequality.

4 | EMPIRICAL RESULTS

4.1 | Baseline results

The primary findings of our study are presented in Table 1. We employ a fixed effects model to estimate coefficient values over the period of 1975 to 2019. In Column 1, the dependent variable is the Gini coefficient of disposable income, while in Column 2, it is the Gini coefficient of market income. At the bottom of each corresponding column, we display the adjusted *R*-squared for the goodness of fit of each model. We use the robust clustered at the country-level sandwich estimator to calculate standard errors, which accounts for heteroskedasticity and serial correlation. Our results reveal that the civil society participation index exhibits a negative and statistically significant effect ($p < .01$) on both specifications, indicating that greater civil society participation is associated with a reduction in income inequality. More specifically, a one standard deviation increase in the civil society participation index decreases the Gini coefficient of disposable income by 0.847 ($=-2.994 \times 0.283$) which corresponds to approximately 10% of its standard deviation. At the mean level of the civil society participation index, 0.583, this corresponds to an average decrease in the Gini coefficient of disposable income by 1.746 ($=-2.994 \times 0.583$) points, all other factors held constant. A one standard deviation increase in the civil society participation index results in a decrease in the Gini coefficient of market income by 1.404 ($=-4.960 \times 0.283$) which corresponds to approximately 21% of its standard deviation. At the mean level of the civil society participation index, this corresponds to an average decrease in the Gini coefficient of market income by 2.892 ($=-4.960 \times 0.583$) points, ceteris paribus. The effect of civil society participation is therefore substantively meaningful; Gini coefficients in our data span a considerable range, with the Gini coefficient of disposable income varying from a minimum value of 19.400 to a maximum of 65.400, and a standard deviation of 8.806. Similarly, the Gini coefficient of market income displays a range from 27.000 to 72.700, with a standard deviation of 6.616. Regarding the remaining control variables, inflation has a positive and significant sign in both specifications. Moreover, in line with our expectations, government orientation exerts a negative and significant sign, wherein higher values of government orientation, notably suggestive of more left-leaning governance, demonstrate reduced tolerance toward income inequality. Education is observed to have a negative and markedly significant effect on income inequality. Conversely, the rate of unemployment is found to correlate with an increase in both the Gini coefficient of disposable and market income. Additionally, an increase in trade openness is associated with a rise in the Gini coefficient of market income, whereas life expectancy appears to weakly reduce the Gini coefficient of market income.

4.2 | Robustness checks

The primary findings of this study are found to be robust following a series of supplementary tests. First, we replace our main explanatory variable with a variable that measures the degree to which political leadership enables the participation of civil society in the political process. This measure is derived from the Transformation Index published biennially by the Bertelsmann Stiftung, which covers mainly the developing world from 2005 to 2019, as reported by Donner et al. (2020). More specifically, the aforementioned variable gauges the extent to which the political leadership involves civil society actors in multiple dimensions of governance, including agenda setting, policy formulation, deliberation and decision-making, policy implementation, and performance monitoring. Civil society actors encompass a wide spectrum of stakeholders, comprising civic, economic, and professional interest associations, religious organizations, charitable institutions, community-based groups, intellectuals, scientists, and journalists (Donner

TABLE 1 Civil society participation and income inequality.

Dependent variable Identification strategy	(1) Gini disposable FE	(2) Gini market FE	(3) Gini disposable FE	(4) Gini market FE
Civil society participation index	−2.994***	−4.960***		
	(0.976)	(1.150)		
Civil society participation			−0.199**	−0.183**
			(0.090)	(0.075)
Government consumption	−1.057	0.669	−1.803	−2.141
	(0.989)	(1.126)	(2.090)	(1.644)
ln(GDP per capita)	1.395	0.541	−0.015	−0.065
	(0.920)	(0.986)	(1.668)	(1.428)
Education	−5.409***	−6.024***	−3.260*	−1.982
	(1.540)	(1.760)	(1.874)	(1.646)
Trade	0.012	0.021***	0.021***	0.016**
	(0.008)	(0.008)	(0.008)	(0.006)
FDI	−0.001	−0.001	−0.035	−0.029
	(0.002)	(0.002)	(0.027)	(0.023)
Inflation	0.001***	0.001***	−0.020	−0.025
	(0.000)	(0.000)	(0.020)	(0.018)
Unemployment rate	0.069*	0.151***	0.079**	0.100***
	(0.037)	(0.043)	(0.038)	(0.037)
Life expectancy	−0.134	−0.206*	−0.051	−0.095
	(0.101)	(0.117)	(0.187)	(0.146)
Government orientation	−0.331***	−0.299***	−0.102	−0.111
	(0.103)	(0.106)	(0.100)	(0.087)
Country FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Observations	2319	2319	435	435
Adjusted *R*-squared	.252	.396	.365	.376

Note: Clustered robust standard errors at the country level are in parentheses. The adjusted *R*-squared for the goodness of fit of each model is reported at the bottom of the table.
Abbreviation: FE, fixed effects.
*$p < .1$, **$p < .05$, and ***$p < .01$.

et al., 2020). It is noteworthy that as the variable assumes higher values, it signifies an augmented level of involvement and active participation of civil society in the overall political process. By utilizing this alternative measure, we demonstrate that civil society participation in the political process is associated with a decrease in both Gini indices ($p < .05$), as presented in the right-hand part of Table 1.

Second, we substitute our inequality variables with data on the income distribution of the top and bottom quintiles from the World Bank (2020). More specifically, we utilize the income share held by the highest 20% and 10% to represent the income share of the top quintile, while the income share held by the lowest 20% and 10% represents the income share of the bottom quintile. Therefore, we regress the income share of the aforementioned top and bottom income quintiles, respectively, on our civil society participation index and the controls, as presented in Table 2.

Consistent with the theoretical frameworks previously discussed, our findings reveal that civil society participation is positively associated with an increase in the income share held by the lowest 20% and 10%, while concurrently leading to a reduction in the income share held by the highest 20% and 10%. Consequently, it appears that civil society participation plays a significant role in alleviating income inequality by elevating incomes for the lower quintiles and diminishing incomes for the upper quintiles.

In this segment of our analysis, we endeavor to address potential endogeneity concerns that may arise concerning the relationship between CSOs and income inequality. Specifically, a plausible argument is that the direction may flow from inequality to civil society participation (e.g., Karakoc, 2013). Consequently, the presence of simultaneity bias may undermine the consistency of our main findings. In order to mitigate this concern to some extent, we utilize an instrumental variable in our empirical model. For an instrumental variable to be considered appropriate, it must meet two critical criteria. First, it should have no direct effect on the outcome variable, except through its

TABLE 2 Civil society participation and income inequality—alternative measures of inequality.

Dependent variable Identification strategy	(1) Income share held by the highest 20% FE	(2) Income share held by the highest 10% FE	(3) Income share held by the lowest 20% FE	(4) Income share held by the lowest 10% FE
Civil society participation index	−6.496***	−6.192***	1.555***	0.660***
	(1.652)	(1.777)	(0.341)	(0.175)
Government consumption	−1.999*	−2.404**	−0.099	−0.131
	(1.100)	(1.143)	(0.310)	(0.158)
ln(GDP per capita)	−0.355	−0.036	0.606	0.356
	(1.635)	(1.603)	(0.496)	(0.250)
Education	−4.817***	−4.461***	0.974**	0.366*
	(1.193)	(1.239)	(0.395)	(0.214)
Trade	0.020***	0.018**	−0.009***	−0.005***
	(0.007)	(0.007)	(0.002)	(0.001)
FDI	−0.001	−0.001	−0.000	−0.000
	(0.005)	(0.005)	(0.001)	(0.000)
Inflation	0.001**	0.001**	−0.000	−0.000
	(0.001)	(0.001)	(0.000)	(0.000)
Unemployment rate	0.092*	0.070	−0.043***	−0.021***
	(0.050)	(0.048)	(0.013)	(0.007)
Life expectancy	−0.406**	−0.416**	0.093**	0.039**
	(0.162)	(0.163)	(0.037)	(0.018)
Government orientation	−0.107	−0.123	0.028	0.010
	(0.134)	(0.129)	(0.040)	(0.021)
Country FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Observations	1232	1232	1232	1232
Adjusted *R*-squared	.358	.339	.318	.271

Note: Clustered robust standard errors at the country level are in parentheses. The adjusted *R*-squared for the goodness of fit of each model is reported at the bottom of the table.
Abbreviation: FE, fixed effects.
*$p < .1$, **$p < .05$, and ***$p < .01$.

influence on civil society participation ("exclusion criterion"). Second, it should be partially correlated with civil society participation once other exogenous variables have been netted out ("relevance criterion") (Wooldridge, 2010). Our chosen instrumental variable is an indicator gauging governments' compliance with constitutional rules encompassing political and civil rights, which is extracted from Gutmann et al.'s (2024) comparative constitutional compliance database. The political rights category incorporates three rules: freedom of association, freedom of assembly, and the right to form political parties. In addition, civil rights, or civil liberties, consist of four rules: free media, free speech, free movement, and religious freedom. The indicator's higher values indicate a greater level of constitutional compliance.

Our expectations regarding this indicator are as follows: Constitutional compliance with respect to political and civil rights positively affects civil society participation, acting as a safeguard for fundamental rights. First, a cornerstone of democratic governance is the explicit recognition and protection of fundamental political and civil rights within a nation's constitution. Essential rights, including freedom of speech, assembly, association, and the ability to participate in public affairs, serve as the bedrock of an inclusive and participatory society (Davenport, 2007). Constitutional enshrinement of these rights provides citizens with a sense of security and assurance, instilling in them the confidence needed to actively engage in civil society (OHCHR, 2007). Second, by virtue of constitutional guarantees, individuals within a society are empowered to exercise their fundamental rights without fear of repression or reprisal. The constitution's role as the supreme law of the land establishes a legal framework that protects citizens from potential violations of their rights, thereby fostering an environment conducive to open expression and collective action (Brannstrom et al., 2004). Such empowerment encourages individuals to step forward and actively participate in civil society activities. Moreover, the association between constitutional compliance and increased civil society participation is evident in the flourishing of various civic organizations, advocacy groups, and community initiatives. Empowered individuals, secure in their rights, are more likely to participate in civic activities, volunteerism, and activism (Chan & Mak, 2020). Their heightened engagement plays a vital role in driving social progress and addressing pertinent political issues. An inclusive constitutional framework reinforces citizens' faith in the democratic process, inspiring them to take an active interest in social and political matters (Donni & Marino, 2020). As individuals recognize that their voices matter and are protected under the constitution, they become more inclined to engage with policies, public debates, and institutional processes (Halla et al., 2013). The ensuing discourse enriches democratic governance and promotes informed decision-making. Considering the aforementioned points, we strongly believe that constitutional compliance with regard to political and civil rights is likely to fulfill the relevance criterion. As for the exclusion criterion, which necessitates that the instrumental variable fulfills its purpose without affecting income inequality through any other mechanism apart from civil society participation, to the best of our knowledge, we have not identified any other means by which constitutional compliance with respect to political and civil rights affects income inequality other than through its influence on civil society participation.

In Table 3, we obtain the results using a fixed effects with an instrumental variable model. In line with our expectations, first-stage results reveal a positive and highly significant ($p < .01$) coefficient of the instrumental variable, indicating that higher levels of constitutional compliance lead to increased civil society participation. It is noteworthy that the diagnostic statistics unveil that the instrumental variable employed for civil society participation is strong, as indicated by the Kleibergen–Paap statistic, attaining a substantial value of 85.916.[4] In both specifications, the estimated coefficients on civil society participation maintain their negative and statistically significant sign ($p < .01$), thereby underscoring the substantive impact of civil society participation on income inequality.

Further, we aim to enhance the robustness and comprehensiveness of our analysis by augmenting the set of control variables. In Table 4, specifically in specifications 1 and 2, we incorporate three additional explanatory variables, namely, GDP growth, the KOF financial globalization index, and the urban population share. This augmentation

[4]Staiger and Stock (1997) propose that in order to guarantee that the instrumental variables estimators are minimally affected by bias, the *F*-statistics associated with the instrumental variables should surpass a threshold of 10 (herein referred to as the Staiger–Stock rule of thumb). This criterion ensures that the maximum bias in the instrumental variables estimators remains below 10%, thereby enhancing the reliability and robustness of the estimation process.

TABLE 3 Civil society participation and income inequality—instrumental variable (IV).

Dependent variable Identification strategy	(1) Gini disposable FE-IV	(2) Gini market FE-IV
Civil society participation index	−4.318***	−6.519***
	(1.495)	(1.753)
Government consumption	−1.402	0.412
	(0.986)	(1.122)
ln(GDP per capita)	1.701*	0.681
	(1.011)	(1.110)
Education	−5.739***	−6.087***
	(1.539)	(1.785)
Trade	0.012	0.020***
	(0.008)	(0.008)
FDI	−0.002	−0.002
	(0.002)	(0.002)
Inflation	0.001**	0.001***
	(0.000)	(0.000)
Unemployment rate	0.080**	0.152***
	(0.040)	(0.045)
Life expectancy	−0.130	−0.211*
	(0.106)	(0.122)
Government orientation	−0.001	−0.001***
	(0.001)	(0.001)
First stage		
Constitutional compliance: political and civil rights	0.146***	0.146***
	(0.016)	(0.016)
Country FE	Yes	Yes
Year FE	Yes	Yes
Observations	2219	2219
Adjusted *R*-squared	.193	.354
F-test of excluded instrument	85.916	85.916

Note: Clustered robust standard errors at the country level are in parentheses. The adjusted *R*-squared for the goodness of fit of each model is reported at the bottom of the table. *F*-test of excluded instrument is the Kleibergen–Paap Wald rk *F*-statistic, a weak identification test with the null hypothesis of weak identified model. Staiger and Stock (1997) suggest that *F*-statistics of instrumental variables should be larger than 10 to ensure that the maximum bias in instrumental variables estimators is less than 10% (Staiger–Stock rule of thumb).
Abbreviation: FE, fixed effects.
*$p < .1$, **$p < .05$, and ***$p < .01$.

serves to subject the relationship between civil society participation and income inequality to a more rigorous examination while addressing concerns regarding omitted variable bias. For instance, our specification now enables us to account for the intricate interplay between countries' financial exposure, civil society participation, and inequality. As a second step, we include an indicator of the level of democracy, which was initially omitted in the baseline model

due to concerns about multicollinearity with civil society participation.[5] More specifically, in specifications 3 and 4, we add the democracy measure separately, while the following two specifications (specifications 5 and 6) incorporate all the aforementioned additional variables. Despite the introduction of additional control variables, it is hereby asserted that our research outcomes remain robust and unaltered. It is worth noting that the effect of civil society participation on the Gini coefficient of disposable income, as observed in specifications 3 and 5, displays a slight attenuation ($p < .10$), which aligns with our apprehensions regarding multicollinearity. Nevertheless, the outcomes reaffirm the substantial influence of civil society participation in shaping income inequality while considering the intricate interactions with various economic, political, and demographic factors.

In addition, in specifications 7 and 8 of Table 4, we incorporate the variable of total tax revenue into the existing vector of covariates. This addition is implemented in order to comprehensively assess the effectiveness of government tax collection in conjunction with government consumption. It is noteworthy that the introduction of this variable does not alter the main results of our investigation. Specifically, civil society participation persists in manifesting a negative and statistically significant influence. Lastly, to capture the potential influence of lobbying strength, specifically the presence of lobbying groups alongside CSOs, leading to competition in many countries, we incorporate the number of union confederations (specifications 9 and 10).[6] These confederations actively engage in lobbying activities as a fundamental component of their operations, primarily focusing on representing and advocating for the rights and interests of workers and trade unions (Behrens et al., 2004). The inclusion of the variable representing the number of union confederations, notwithstanding the consistently negative sign of the estimated coefficient of *CSP* in both instances, reveals a diminished influence of civil society participation on the Gini coefficient of disposable income, evidenced by a weaker statistical significance ($p < .10$). This finding underscores the significance of lobbying strength in modulating the relationship between civil society participation and income inequality.

Next, our objective is to augment the resilience and inclusiveness of our analytical framework through a comprehensive exploration of the medium- and long-term ramifications of civil society participation on income inequality. First, we introduce one to five lags in all independent variables, as evidenced in Panel A of Table 5. Subsequently, as a second step, we employ a 3-year average of our data, as detailed in Panel B of Table 5.[7] Our findings consistently demonstrate that civil society participation remains associated with a reduction in income inequality, even when considering up to five lags of the independent variables. We visually represent the effect of civil society participation on the Gini coefficient of disposable and market income in Figure 2, wherein we present the coefficient estimates on the *y*-axis, accompanied by the 99% confidence interval corresponding to each employed lag on the *x*-axis. Moreover, the application of a 3-year average to our data indicates that the coefficient on civil society participation maintains its negative and statistically significant association with income inequality. Both these outcomes reveal that civil society participation remains effective in reducing inequality in the medium and long term.

Furthermore, we adopt an alternative identification strategy to overcome the challenges of endogeneity: the Lewbel (2012) 2SLS. This method effectively mitigates endogeneity concerns by generating internal instruments derived from the heteroskedasticity present in the error terms. Using Lewbel's technique, we can address endogeneity issues in our research in a robust and reliable way. Below, we provide further details of the Lewbel technique and its implementation in our study. Consider a simple case of our model equation:

$$Y_1 = X'\beta + Y_2\gamma + \varepsilon_1, Y_2 = X'\alpha + \varepsilon_2, \tag{2}$$

where Y_1 is denoted as the outcome variable, specifically representing the Gini coefficient, while Y_2 is the endogenous regressor, referring to civil society participation. In addition, X' is the vector of regressors, while ε_1 and ε_2 are

[5]We have chosen to omit the democracy variable from our baseline model. This decision is driven by the observation of a pairwise correlation exceeding 0.7 with civil society participation, thereby giving rise to concerns pertaining to the issue of multicollinearity.

[6]It is important to acknowledge that the incorporation of this variable markedly diminishes the number of observations, as its availability extends to a maximum of 55 countries (Visser, 2019).

[7]Comprehensive results derived from these two methodologies are thoroughly documented in Tables A3 and A4 in the Supporting Information (S4).

TABLE 4 Civil society participation and income inequality—additional control variables.

Dependent variable Identification strategy	(1) Gini disposable FE	(2) Gini market FE	(3) Gini disposable FE	(4) Gini market FE	(5) Gini disposable FE	(6) Gini market FE	(7) Gini disposable FE	(8) Gini market FE	(9) Gini disposable FE	(10) Gini market FE
Civil society participation index	−2.711***	−4.219***	−2.624*	−5.433***	−2.335*	−4.717***	−2.318**	−3.690***	−4.348*	−8.605***
	(0.967)	(1.127)	(1.373)	(1.274)	(1.316)	(1.246)	(0.970)	(1.136)	(2.339)	(2.753)
Government consumption	−1.238	0.229	−1.123	0.577	−1.290	0.163	0.342	1.277	−0.618	−0.003
	(0.981)	(1.089)	(0.983)	(1.107)	(0.977)	(1.071)	(0.721)	(0.953)	(1.086)	(1.198)
ln(GDP per capita)	1.482	0.747	1.408	0.460	1.480	0.644	0.909	−0.328	2.940***	1.209
	(0.991)	(1.120)	(0.924)	(0.988)	(0.994)	(1.124)	(1.053)	(1.088)	(0.830)	(1.188)
Education	−4.977***	−4.840***	−5.379***	−6.002***	−4.960***	−4.852***	−5.633***	−6.454***	−4.470	−4.007
	(1.612)	(1.720)	(1.515)	(1.740)	(1.593)	(1.725)	(1.481)	(1.685)	(3.058)	(4.262)
Trade	0.010	0.017**	0.012	0.021***	0.011	0.018**	0.020***	0.028***	−0.012	−0.012
	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.007)	(0.007)	(0.010)	(0.012)
FDI	−0.002	−0.002	−0.001	−0.001	−0.002	−0.002	−0.000	−0.000	−0.002	−0.002
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)
Inflation	0.001***	0.001***	0.001***	0.001***	0.001***	0.001***	0.000***	0.001***	−0.001	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.002)	(0.002)
Unemployment rate	0.064*	0.140***	0.067*	0.152***	0.063	0.140***	0.068*	0.156***	0.069**	0.177***
	(0.039)	(0.044)	(0.037)	(0.043)	(0.039)	(0.044)	(0.039)	(0.044)	(0.030)	(0.047)
Life expectancy	−0.128	−0.190*	−0.135	−0.201*	−0.129	−0.184*	−0.117	−0.175	−0.210	0.023
	(0.097)	(0.111)	(0.099)	(0.115)	(0.096)	(0.110)	(0.095)	(0.117)	(0.214)	(0.248)
Government orientation	−0.321***	−0.281***	−0.325***	−0.309***	−0.315***	−0.291***	−0.193**	−0.210*	−0.067	0.020
	(0.103)	(0.101)	(0.101)	(0.106)	(0.099)	(0.101)	(0.095)	(0.113)	(0.063)	(0.096)
Financial globalization index	0.007	0.019			0.008	0.019				
	(0.018)	(0.020)			(0.018)	(0.020)				
GDP growth	−0.014	−0.029			−0.012	−0.029				
	(0.017)	(0.019)			(0.017)	(0.019)				

(Continues)

TABLE 4 (Continued)

Dependent variable Identification strategy	(1) Gini disposable FE	(2) Gini market FE	(3) Gini disposable FE	(4) Gini market FE	(5) Gini disposable FE	(6) Gini market FE	(7) Gini disposable FE	(8) Gini market FE	(9) Gini disposable FE	(10) Gini market FE
Urban population	−0.045	−0.119**			−0.042	−0.115**				
	(0.057)	(0.059)			(0.056)	(0.058)				
Democracy			−0.052	0.079	−0.054	0.077				
			(0.155)	(0.123)	(0.153)	(0.111)				
Tax revenue							−0.156**	−0.146**		
							(0.062)	(0.063)		
NUCfs									−0.430*	−0.622**
									(0.237)	(0.267)
Country FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	2317	2317	2297	2297	2295	2295	2070	2070	1053	1053
Adjusted *R*-squared	.257	.424	.251	.392	.256	.419	.270	.418	.359	.625

Note: Clustered robust standard errors at the country level are in parentheses. The adjusted *R*-squared for the goodness of fit of each model is reported at the bottom of the table.
Abbreviation: FE, fixed effects.
*$p < .1$, **$p < .05$, and ***$p < .01$.

TABLE 5 Civil society participation and income inequality—medium- and long-run effects, and 3-year averages.

Panel A				
			Civil society participation index	
Identification strategy: FE		Lags	Coef.	St. error
Dependent variable	Gini disposable	$t-1$	−3.132***	(0.978)
	Gini market		−4.940***	(1.136)
	Gini disposable	$t-2$	−3.110***	(0.999)
	Gini market		−4.739***	(1.130)
	Gini disposable	$t-3$	−3.174***	(1.016)
	Gini market		−4.668***	(1.136)
	Gini disposable	$t-4$	−3.253***	(1.062)
	Gini market		−4.621***	(1.152)
	Gini disposable	$t-5$	−3.378***	(1.104)
	Gini market		−4.540***	(1.189)
Panel B				
			Civil society participation index	
Identification strategy: FE			Coef.	St. error
Dependent variable	Gini disposable	3-year averages	−2.719**	(1.107)
	Gini market	3-year averages	−5.113***	(1.259)

Note: In Panel A, reported results for Equation (1) using deeper lags. All predictors are included at the lag specified in the column ("Lags"). Clustered robust standard errors at the country level are in parentheses. All models incorporate country and year fixed effects (FE), and the baseline control variables. In Panel B, results using 3-year averages of the data are reported. Clustered robust standard errors at the country level are in parentheses. Both models incorporate country and year FE, and the baseline control variables. To save space, only the coefficient and the standard error of the civil society participation index are reported. Full results are presented in Tables A3 and A4 in the Supporting Information (S4).
*p < .1, **p < .05, and ***p < .01.

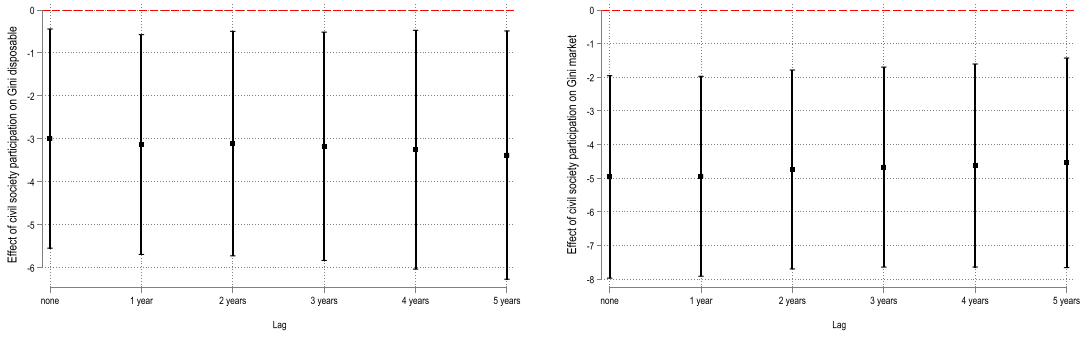

FIGURE 2 Medium- and long-term effects of civil society participation on the Gini coefficient of disposable income (left figure) and market income (right figure). [Colour figure can be viewed at wileyonlinelibrary.com]

the error terms. This approach relies on an identification strategy that draws on the information embedded in the heteroskedasticity of ε_2 to solve endogeneity problems without external instruments. The underlying assumption in this technique is that $E(XX')$ is nonsingular, and further, it is assumed that $E(X\varepsilon_1)=E(X\varepsilon_2)=0, Cov(V,\varepsilon_1,\varepsilon_2)=0$, and

TABLE 6 Civil society participation and income inequality—Lewbel (2012) two-stage least squares (2SLS).

Dependent variable Identification strategy	(1) Gini disposable Lewbel 2SLS	(2) Gini market Lewbel 2SLS
Civil society participation index	−3.893***	−5.293***
	(1.182)	(1.216)
Government consumption	−1.049*	0.666
	(0.601)	(0.658)
ln(GDP per capita)	1.534***	0.651
	(0.496)	(0.546)
Education	−5.217***	−6.123***
	(0.792)	(0.871)
Trade	0.011**	0.021***
	(0.005)	(0.005)
FDI	−0.001	−0.001
	(0.001)	(0.001)
Inflation	0.001***	0.001***
	(0.000)	(0.000)
Unemployment rate	0.060***	0.139***
	(0.022)	(0.024)
Life expectancy	−0.097*	−0.180***
	(0.056)	(0.061)
Government orientation	−0.301***	−0.282***
	(0.064)	(0.072)
Country FE	Yes	Yes
Year FE	Yes	Yes
Observations	2319	2319
Craig–Donald Wald *F*-statistic	56.529	56.529
Hansen J statistic	10.059	6.293
J statistic *p*-value	.185	.506

Note: Robust standard errors are in parentheses. The Craig–Donald Wald *F*-statistic serves as a weak identification test, operating under the null hypothesis that posits the model in question is weakly identified. The Hansen J test of overidentifying restrictions evaluates the validity of internally generated instruments. This test investigates whether these instruments demonstrate a correlation with the endogenous variables while maintaining an absence of correlation with the error term. The null hypothesis of this test posits that the internally generated instruments are, indeed, valid.
Abbreviation: FE, fixed effects.
*$p < .1$, **$p < .05$, and ***$p < .01$.

$Cov(\varepsilon_2^2) \neq 0$. Here, V equals X a subset of elements of the X vector.[8] The instrumental variables are estimated as $(V - \overline{V})\widehat{\varepsilon}_2$, where $\overline{V}$ is the mean of V. A crucial condition in this approach is the absence of correlation between the regressors and the heteroskedastic errors. This hypothesis is assessed using the Cragg–Donald weak identification

[8]In the present study, the set of regressors encompassed within the *V* vector consists of the following variables: government consumption, ln(GDP per capita), education, trade, FDI, inflation, unemployment rate, life expectancy, and government orientation.

Wald test, which aids in ascertaining the validity and reliability of the proposed method in the context of the analyzed data.

Table 6 presents the outcomes derived from employing the Lewbel (2012) 2SLS technique to assess the robustness of the model using internally generated instruments. In both cases, the Craig–Donald Wald F-statistic exceeds the critical threshold of 10, indicating the significance and absence of a weak relationship between the internal instruments and civil society participation (Stock & Yogo, 2005). Moreover, this study's findings encompass the Hansen J test of overidentifying restrictions, an essential procedure for overidentified models estimated via the Lewbel technique (Baum et al., 2012). This test evaluates whether the internally generated instruments exhibit correlation with the endogenous variable but no correlation with the error term, assuming the instruments' validity. For the Gini coefficient of disposable income, the J statistic value is 10.059, with a nonsignificant *p*-value of .185. Similarly, for the Gini coefficient of market income, the J statistic value is 6.293, with a nonsignificant *p*-value of .506. As a result, the null hypothesis is not rejected, providing evidence for the validity of the internally generated instruments derived from heteroskedastic errors. Consequently, the Lewbel estimate is considered valid. These results underscore a noteworthy feature of the Lewbel method, specifically its capacity to conduct tests of overidentifying restrictions and enhance efficiency, as highlighted by Baum (2013). Thus, we can confidently conclude that the evidence derived from the Lewbel 2SLS estimates consistently demonstrates a negative association between civil society participation and income inequality.

Finally, in order to ascertain whether the baseline findings of our study are influenced by unobserved confounders, we utilize the coefficient stability test, an analytical method developed by Oster (2019). This technique is an extension of the framework initially proposed by Altonji et al. (2005), which posits that the extent of selection bias caused by unobservable factors can be gauged through the reduction in such bias following the incorporation of observed confounders into the standard regression model. Oster's (2019) study further elaborates that the observable fluctuations in coefficient values and *R*-squared statistics across model variants, both inclusive and exclusive of observed controls, serve as indicators of the amount of selection bias attributable to unobserved variables. Consequently, Oster elucidates the feasibility of evaluating the robustness of results against the bias stemming from omitted variables through the following methodological approaches.

First, Oster (2019) posits the application of the delta (δ) statistic as a pivotal measure. This particular statistic represents the comparative magnitude of selection on unobserved variables relative to that on observed variables, necessary to nullify the significant coefficients of *CSP* ($\gamma = 0$). The computation of δ values is predicated on the

TABLE 7 Civil society participation and income inequality—robustness to omitted variables bias.

Dependent variable	(1) Baseline coefficients ($\hat{\gamma}$)	(2) Oster's bounds $\left(\hat{\gamma}, \gamma^{*}\left(R_{max} = 1.3 * R^{2}, \delta = 1\right)\right)$	(3) Delta ($\lvert\delta\rvert$) statistic for $\gamma = 0$
Gini disposable	−2.994***	[−2.994, −1.055]	7.566 > 1
Gini market	−4.960***	[−4.960, −1.093]	4.912 > 1
Baseline controls	Yes	Yes	
Country FE	Yes	Yes	
Year FE	Yes	Yes	

Note: This table delineates the results of the coefficient stability examination as per Oster's (2019) framework, pertaining to the baseline results displayed in columns 1 and 2 of Table 1. The absolute value of the δ statistic quantifies the degree of selection on unobserved variables relative to that on observed variables. γ^{*} is the bias-adjusted coefficient assuming $\delta = 1$. In both cases, the maximum *R*-squared value (R_{max}) is set to 1.3 times R^2, conforming to Oster's recommendations. An extensive elucidation of these findings is available in the main body of the text. See also notes to Table 1.
Abbreviation: FE, fixed effects.
*p < .1, **p < .05, and ***p < .01.

hypothesis that the maximum *R*-squared value is 1.3 times the actual *R*-squared, a postulation posited by Oster (2019). Moreover, both Altonji et al. (2005) and Oster (2019) posit that a δ statistic, when considered in absolute terms, exceeding the value of one ($|\delta| > 1$) is indicative of the model's resilience against potential biases due to unobserved confounders. As delineated in Table 7, the $|\delta|$ values surpass this conventional benchmark in both examined scenarios. For instance, the $|\delta|$ statistic of 7.566, derived when employing the Gini coefficient of disposable income as the dependent variable, suggests that the degree of selection on unobserved variables must be at least sevenfold greater than that on observed variables to drive the estimated coefficients of *CSP* down to zero.

Second, we present the bias-adjusted γ^* statistic, premised on two foundational assumptions: first, that the degree of selection bias due to unobserved confounders is directly proportional to the bias from observed confounders, and second, that the maximum *R*-squared value is equivalent to 1.3 times the observed *R*-squared value. As elucidated by Oster (2019), the baseline estimates are not predominantly influenced by unobserved variables,

TABLE 8 Civil society participation and taxes.

Dependent variable Identification strategy	(1) Taxes on individuals and corporations FE	(2) Taxes on individuals FE
Civil society participation index	2.432***	1.740***
	(0.794)	(0.637)
Government consumption	0.813	0.095
	(0.674)	(0.575)
ln(GDP per capita)	0.093	−0.053
	(0.602)	(0.628)
Education	1.769*	2.036*
	(1.015)	(1.197)
Trade	0.001	−0.003
	(0.006)	(0.004)
FDI	0.003	−0.001
	(0.003)	(0.001)
Inflation	−0.000*	−0.000**
	(0.000)	(0.000)
Unemployment rate	−0.023	0.013
	(0.028)	(0.026)
Life expectancy	0.100**	0.054
	(0.043)	(0.033)
Government orientation	0.247***	0.098*
	(0.064)	(0.052)
Country FE	Yes	Yes
Year FE	Yes	Yes
Observations	2102	1892
Adjusted *R*-squared	.143	.096

Note: Clustered robust standard errors at the country level are in parentheses. The adjusted *R*-squared for the goodness of fit of each model is reported at the bottom of the table.
Abbreviation: FE, fixed effects.
*$p < .1$, **$p < .05$, and ***$p < .01$.

provided that the bound between the estimated coefficient of *CSP* (γ) and γ^* safely excludes the value of zero. This is empirically substantiated in column 2 of Table 7, where none of the intervals encompass zero, thereby bolstering the validity of the statistically significant results. In summary, these outcomes suggest that the estimated effects of *CSP* on income inequality are unlikely to be easily explained by unobserved variables, underscoring their robustness.

4.3 | Exploring a mechanism by which civil society participation affects income inequality

In the discourse presented in Section 2 of our study, we explicated the capacity of CSOs to modulate income inequality through mechanisms of advocacy, policy shaping, and exertion of influence upon governmental entities to steer policymakers toward the adoption of progressive socioeconomic policies. Pursuing a deeper understanding of this dynamic, we delve into an empirical exploration of the potential impact CSOs exert on national taxation policies. This is achieved through a regression analysis, incorporating civil society participation and baseline covariates delineated in Section 3, to assess the association with tax levies. This analysis specifically utilizes two dependent variables: first, the total of income, capital gains, and profit taxes imposed on both individuals and corporations, and second, the total of similar taxes levied solely on individuals. The empirical outcomes of this investigation are detailed in Table 8. They reveal a statistically significant ($p < .01$) and positive association between civil society participation and the level of taxation in both specified models. These results suggest a substantive linkage: An augmentation in civil society participation is associated with an increase in tax rates. This relationship posits a viable pathway for the amelioration of income inequality via fiscal redistribution. In essence, these findings underscore the pivotal role of CSOs in bridging the economic divide, positing that enhanced civil society engagement can effectively narrow the income gap between affluent and less affluent segments of the population by advocating for and influencing policies that result in higher taxation.

5 | CONCLUDING REMARKS

In the present study, we concentrate on elucidating the role of citizens' involvement and active participation in CSOs—collective groups formed by citizens to promote collective interests and aspirations, thereby influencing the broader political process—and its influence on income inequality. To substantiate our thesis, we employ a comprehensive dataset that covers a large sample of countries over an extensive time span from 1975 to 2019. Our analysis yields robust empirical evidence supporting the assertion that augmented levels of civil society participation correspond to a measurable reduction in income inequality over the short, medium, and long term.

From a policy standpoint, our research findings carry important implications. The empirical evidence provides compelling, unambiguous support for the essential role of civil society engagement in the broader political sphere, especially when it comes to addressing and rectifying the issue of income inequality. It is incumbent upon policymakers who are committed to the reduction of income inequalities and the improvement of economic opportunities within their jurisdictions to foster a conducive atmosphere. Such an environment should not only encourage but also actively support citizen involvement through various participatory mechanisms. This approach is instrumental in promoting fair and equitable socioeconomic conditions. In essence, civil society involvement stands as a pivotal element in the policy toolkit for combating income inequality, highlighting the critical interplay between citizen engagement and economic equity. This underscores a fundamental policy shift, necessitating a reevaluation of strategies to ensure equitable economic growth and the redistribution of wealth. In addition, Bolen and Williamson's (2019) research on institutional volatility offers valuable insights for policymaking, particularly in the context of

income inequality. The study's findings suggest that stable and predictable institutional reforms are crucial for economic growth. This reinforces the importance of civil society participation, as a more engaged civil society can contribute to institutional stability and, consequently, lower income inequality. Policymakers can draw from this research to prioritize consistent institutional reforms and actively involve civil society, thereby addressing the root causes of economic disparities and promoting more equitable economic development.

Furthermore, we cordially invite the undertaking of future case studies with the aim of enriching our understanding of the dynamic interplay between civil society participation and income distribution. These case studies should particularly focus on elucidating the underlying mechanisms that drive this relationship. Moreover, our study highlights the pivotal role of lobbying strength in influencing the interplay between civil society participation and income inequality. In light of these findings, it becomes imperative for subsequent investigations to delve deeply into the complex interrelations among civil society engagement, lobbying power, and income inequality. These investigations should aim to unravel the nuanced intricacies of these relationships, offering a more comprehensive perspective on how civil society participation, when intertwined with lobbying efforts, can impact income distribution patterns. By doing so, future research could provide pivotal insights and potentially guide policy formulations aimed at reducing income inequality. Finally, the present study has been primarily devoted to the examination of income inequality as the dependent variable. Prior investigations have furnished compelling indications that civil society participation exerts a discernible impact on the policymaking process. This capacity, in turn, holds sway over diverse policy-related phenomena within nations, such as poverty, human development, economic growth, and social capital. Consequently, the potential extensions of this study bear the prospect of contributing significantly to the exploration of numerous other research inquiries pertaining to the ramifications of civil society participation.

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CONFLICT OF INTEREST STATEMENT

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available in the supporting information of this article.

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