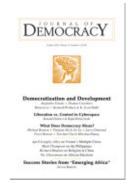


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Poverty, Inequality, and Democracy

DOES ELECTORAL DEMOCRACY BOOST ECONOMIC EQUALITY?

Nancy Bermeo

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Inequality is a constant in political life, but its salience in political discourse rises and recedes. As the first decade of the twenty-first century draws to a close, talk of inequality is clearly increasing. Public and private institutions have created a wave of new units to track (and possibly shape) inequality's trends. Social scientists across a broad range of disciplines have taken unprecedented interest in explaining inequality's origins, trajectory, and effects.

The current frequency of inequality talk stems in large part from inequality's stubborn persistence. Inequalities of all sorts seem ubiquitous, despite the nearly worldwide advance of electoral democracy and despite (what were until recently) steady and sometimes spectacular rates of economic growth. What can we learn from these seemingly mismatched trends?

Inequality is more easily discussed than defined. Though the term has its roots in mathematics, it is not a concept that lends itself easily to precision. Inequality indicates difference, but human beings can differ in infinite ways, and many important differences may not be quantifiable at all. For present purposes, it might be best to define inequality as the condition of being unequal as regards the command of any resources deemed valuable for human well-being. These resources might include physical strength, political rights, wealth, income, or even qualities that are only indirectly observable, such as ambition. The inequalities that are most politically meaningful are those that are judged to be normatively problematic, producing disadvantages and advantages deemed

undeserved by significant sections of the society in which they are embedded.¹ Political theorists may write about "inequality" and "equality" per se, but empiricists almost inevitably write about inequality with modifiers. Empiricists write about political inequality, gender inequality, economic inequality, and the like. These modifiers distinguish the domains in which differences are deemed meaningful.

Because inequality is not one-dimensional, there is no reason to assume that all of its many forms must change in concert. Many of inequality's dimensions are linked, but they are not fused and will therefore have evolutionary dynamics of their own. We should not assume that different forms of inequality will change in tandem or even that they will change in identical directions if they do change.

We should also avoid the assumption that trends in inequality and poverty will change simultaneously. Current discussions of inequality often merge the concepts of economic inequality and poverty. Yet these concepts differ in consequential ways. Economic inequality is a measure of the distribution of material resources that emerges from the ranking of all the economic actors in a unit of interest according to the amount of material resources that they possess. The unit of interest could be as small as a single household, or as large as the entire world economy. In countries (the units that we study most often), the ranked actors include the rich, the poor, and everyone in between. The gradients of economic inequality are as numerous as the differences in the income and wealth of the actors surveyed. Adding to economic inequality's complexity, the gradients almost always involve a two-direction comparison: Each actor has both less than and more than others (except for the single actors with the very most and very least).

Where economic inequality exists, all actors are "unequal," but where poverty exists only some actors are "poor." This fact has profound political implications, as we shall shortly see in our discussion of democracy, but for now it is important for marking the significant distinctions between economic inequality and poverty. The concept of poverty forces us to divide human beings into one set of people who live below an arbitrary standard of capability resources we set for definitional purposes and another set of people who live above that standard. Of course, we draw distinctions between levels of poverty. Scholars and policy makers distinguish, for example, between basic and extreme poverty, defining the latter as "poverty that kills." But the concept of poverty in vernacular political discourse is often, if not usually, dyadic. The concept derives, rightly or wrongly, from a materialist distinction between the poor and the non-poor. Economic inequality has no comparable dyad, and since the range of inequality within the ranks of the non-poor can be vast, changes in poverty trends may be independent of trends in economic inequality. Poverty can rise or fall and leave economic inequalities among the non-poor unchanged or moving in an opposite direction. This is precisely what we are witnessing in much of the world today.

Distinguishing between various sorts of inequalities, as well as between economic inequality and poverty, enables us to forge a better understanding of how each might be affected by democracy. The advance of democracy entails, by definition, a decrease in political inequality. Yet the egalitarian principle of one citizen, one vote that lies at the foundation of any democratic project does not guarantee advances in equality outside the limited realm of political leadership selection. The relationship between an advance in political equality and an advance in equalities of other sorts is wholly contingent on what leaders at the top of democracy's hierarchies choose to do or not do.

The sources of this contingency derive from democracy's very meaning. Democracy "is a system of governance in which rulers are held accountable for their actions in the public realm by citizens, acting indirectly, through the competition and cooperation of their elected representatives." As a system of governance for "the public realm," democracy has no intrinsic association with either the private realm of the family or the private realm of the economic market. Yet inequalities of many sorts derive precisely from these private realms. The extent to which democratic rulers extend their powers into these realms depends directly on the rulers' individual choices and indirectly on the expressed choices of the citizens who (in theory at least) hold these rulers accountable. Righting inequalities under democratic systems of governance is thus extremely difficult because it requires collective action in multiple arenas, by both elite and mass actors. Sometimes the champions of a particular form of equality manage to take effective collective action (the farmer-worker coalitions behind social democracy in the Nordic countries provide an example), but often inequalities follow their own dynamic, independent of whether electoral democracy exists.

The same generalization holds for electoral democracy and poverty. Whether democratic leaders choose to combat poverty depends on a range of factors beyond regime type. Democracy is antithetical to certain forms of political inequality, but has never been antithetical to poverty or to inequalities of other sorts. Adam Przeworski is right when he reminds us that the emergence of democracy "was a political revolution but not an economic one." The trends in economic inequality and democratization that we have seen since 1990 may not be mismatched after all.

Troubling Trends

There has never been a period in history when so many individuals could exercise the right to vote. The spread of electoral democracy since 1990 has been especially impressive. According to Freedom House, in 1989 only 41 percent of the world's countries could be categorized as electoral democracies. By 2005, this figure had risen to 64 percent.⁵

Has this positive pattern of regime change affected levels of economic inequality in predictable ways?

A great deal of important scholarship suggests that the rise of democracy should lead to a fall in economic inequality. Since at least the time of Aristotle, scholars and political actors have associated the extension of political rights with the redistribution of material resources. In the nineteenth century, foes of extending the right to vote often warned that the newly enfranchised poorer classes would use their ballots to pillage the rich. Scholars have shown that the expansion of the franchise was, in fact, accompanied by a decrease in material inequalities, and more recent and highly influential work has framed democratization itself as a redistribution game. Acemoglu and Robinson argue that because "democracy is pro-majority" and "even possibly pro-poor," its "redistributive nature" constitutes its "main threat." They assert that there is a "greater tendency for redistributive policies in democracies" than in nondemocracies, and even that "new democracies appear to have been more redistributive than mature democracies throughout the 20th century."

How have young democracies behaved in terms of redistribution since the 1990s? Overall, the long-term trends appear disappointing from an egalitarian perspective. The term "appear" deserves emphasis because figures measuring economic inequality are notoriously problematic. Cross-country comparisons and aggregations can be misleading because countries use different means of assessment.8 Even within the same country, time trends are often difficult to trace because inequality is not assessed on a regular basis and because the assessments that do exist often reflect a geographic (usually urban) bias. Finally, scholars debate not only how economic inequality should be measured but which forms of inequality matter most for the way that people live. Measurements of economic inequality might be based on individual or household income, gross or disposable income, land tenure, land-to-wage ratios, rent-to-wage ratios, or daily caloric intake. They might include or exclude pensioners, the unemployed, the homeless, those who work in the informal sector, and those without any earnings.

Despite these complexities, there seems to be fairly wide agreement that economic inequality has increased in most countries since the 1990s. How does the seemingly immutable persistence of economic inequality affect young democratic regimes in developing and postcommunist countries? This question has no single or definitive answer because the effects of economic inequality vary from one country to the next, depending on a wide range of factors, including the qualities of political leadership which, of course, cannot be predicted. Nevertheless, experience and current research suggest two conclusions. The first is that persistently high economic inequality harms the *quality* of democracy in profound ways. The second is that even persistent economic inequality does not, in itself, constitute an insurmountable barrier to democratic

durability. Economic inequality is a potential threat to the durability of democratic institutions, but the conditions needed to actualize its threat potential are not often present. Although there is reason to think that advances toward economic equality increase the probability of democratic survival, democracies do not require advances in economic equality to endure. On the contrary, electoral democracies have endured despite extremes in economic inequality lasting for generations.

Economic Inequality and Democratic Quality

Inequality's negative effects are myriad and their connections to the quality of democracy are profound. The effects of economic inequality on political equality have been documented in a great deal of scholarship. It hardly needs stating that the wealthy have a disproportionate influence over what policies are made and how they are implemented. Even in the United States, a long-established democracy with relatively egalitarian social norms, a raft of convincing research shows that public policies more often reflect the preferences of the wealthy than those of the average voter. But the documented effects of income inequality go beyond what has come to be known (in a curiously understated way) as "imperfect representation." In its extreme forms, economic inequality has been linked to bad attitudes, bad behavior, and bad government. Scholars claim that it has a strong negative effect on political interest, and that it boosts support for populism, personalism, human-rights abuses, and the acceptance of authoritarian rule.

Economic inequality is also associated with a broad range of behaviors that erode the quality of democracy. These associations do not hold in every country or for every group, but they are numerous and consequential. Scholars have linked economic inequality to decreased electoral turnout, depressed political engagement, and higher rates of crime, including homicide. Economic inequality is also associated with political polarization, which is thought to hamper the trust and willingness to compromise on which deep democracies depend. If economic inequality overlaps with ethnic or religious identities, entrepreneurial political elites can frame their identity groups as doubly disadvantaged and thereby increase the likelihood of divisive ethnic mobilization and even armed conflict. As Amartya Sen reminds us, the "coupling" of economic disadvantage with "social humiliation" can be lethal.

The association between economic inequality and bad government takes multiple forms. It has been linked to influence peddling, judicial weakness, the failure to provide public goods, and the general erosion of the rule of law. Is Increasing inequalities of income and wealth divide a democracy's citizenry, making preferences more diverse. This increases problems of agency and accountability and gives elected politicians incentives "to play some voters off against others." The perverse incen-

tive structures produced by high levels of economic inequality may help to explain why many economists have concluded that high levels of inequality hamper long-run economic growth.²⁰ The bad governance so frequently associated with high levels of inequality often creates a bad investment environment.

If the effects of high economic inequality are as deleterious as current research suggests, we must ask ourselves, first, whether current levels of inequality might soon be reversed, and second, whether the failure to reduce economic inequalities will threaten democratic durability.

Reversing Economic Inequality

The prospects for reducing economic inequalities are mixed. On the one hand, the world financial crisis might drive inequalities down even without concerted government action. A good deal of the recent rise in economic inequality was driven by the enrichment of people in the top income deciles. If their assets and income drop more than those of other groups, inequality will drop too. Additionally, actors who seek to mobilize a broad coalition around redistribution will be advantaged by the current, crisis-induced media attention to the wealthy. That said, there are still several formidable obstacles to the creation of viable redistributionist coalitions.

First, despite newly elevated levels of inequality talk among journalists, academics, and policy makers, ordinary citizens generally do not frame the reversal of economic inequality as a top political priority. They prefer instead to focus on their own economic situation. And while they may not consider existing economic inequalities fair, they typically distinguish between economic inequality and poverty, and prioritize poverty reduction by a substantial margin.

Whether the current world financial crisis will change these rankings remains to be seen. Yet the most recent evidence from the developing world shows that people consider poverty a much more pressing problem than inequality, and that in most of the developing world, a surprisingly small percentage of the public ranks inequality as a pressing problem at all. In the latest Afrobarometer survey of 18 countries, poverty outranked inequality as a pressing political problem by a multiple of 20. Opinions in Asia are similar.²¹ In Latin America, the comparable ratio is 8 to 1, with only 1 percent of respondents ranking inequality as the "most pressing problem."²² Mobilizing people around the issue of income inequality rather than around the issues they deem more pressing will prove challenging.

A second and related obstacle to forming redistributionist coalitions comes from the fact that economic inequality (unlike poverty) has sincere and revered defenders. The idea that differential rewards provide incentives for productivity and innovation is intrinsic to capitalism, and vast numbers of people in democracies of all sorts embrace this view.

The most recent wave of the World Values Survey, conducted between 2005 and 2008, found that the number of people agreeing that "we need larger income differences as incentives" actually exceeded the number of people agreeing that "incomes should be made more equal" in 11 out of 16 developing and postcommunist democracies. The only country surveyed in which more than half the respondents favored the statement that "incomes should be made more equal" was Romania. In countries as diverse as Brazil, Bulgaria, Indonesia, Mali, Mexico, Moldova, Peru, Poland, South Africa, and Thailand, fewer than 40 percent of respondents preferred the statement "incomes should be made more equal," to the statement endorsing income differences as incentives.²³

Of course, counterelites could conceivably reshape public opinion and change priorities, but this takes skill, time, and resources that may be hard to come by. It would also involve undercutting the emphasis on equality of opportunity which, according to Ronald Dworkin, Judith Squires, and others, has eclipsed equality of outcome in the popular imagination.²⁴ Equality of opportunity complicates the crafting of redistributive coalitions because it undercuts arguments that economic inequalities might be "undeserved." Coupled with the widespread belief that economic inequalities are functional, equality of opportunity provides an attractive alternative to calls for rapid material redistribution and does much to strengthen the ideational barriers to forming a winning redistributionist coalition.

The current financial crisis may raise the profile of economic equality as a policy priority, but programs for economic redistribution may still prove hard to forge. Indeed, they may be even harder to formulate today than in the past. This is not simply because there may be less to redistribute. Changes in the sources of economic inequality have raised a third barrier to redistribution. When economic inequality derived principally from the ownership of land, programs for redistribution could be forged around the issue of land reform. This was extremely difficult in itself, and it still proves difficult today, but to the extent that today's inequalities derive from more mobile capital assets and from human capital (as is increasingly the case) viable formulas for redistribution may be even more elusive. Human capital cannot be redistributed at all. Capital assets can be redistributed, but this is risky business in a globalized economy where capital is mobile and at least some of the voting public is aware (often through first-hand experience) of the implications of capital flight.

A fourth barrier to forming redistributionist coalitions emerges from changes in the nature of organizational life. Trade unions in most countries are not what they once were, and unswervingly redistributionist socialist parties have become rarer as well. In many democracies, moreover, religious organizations have come to occupy major sectors of organizational space and to be the focus of the collective action of both the

advantaged and the disadvantaged. If recent evidence of an inverse correlation between religiosity and support for government social spending can be generalized,²⁵ this alternative organizational trend may also diminish political pressure for redistribution. People may simply use religious associations as safety nets and pray for a brighter future.

Finally, forging a winning coalition of "the unequal" is intrinsically difficult because inequality cuts two ways. Those in the middle of a society's wealth-distribution curve may be wary that the zeal for redistribution will affect not only the rich, but themselves as well. Wealthy elites (who are now quite likely to control media networks) can reinforce this wariness and frame redistribution as a slippery slope. In any case, recent research has suggested that democratization is not a redistribution game at all—that is, it is *not* about "whether the median voter is going to soak the rich" but rather "about whether all voters can obtain impartial protections from the state against violations of contracts and property rights." If this is true—that is, if democracy is more about "rights" than about redistribution—then democracy too may hamper the formation of broad coalitions favoring redistribution. It may also help to explain why democracy and economic inequality have coincided for so long.

Reformers throughout the world will (and should) attempt to use the financial crisis as an opportunity to promote a redistributive agenda. But we should not underestimate the attitudinal and institutional barriers to reducing economic inequalities. Even if a broad coalition for redistribution can be crafted, weak state capacity may hamper policy implementation. Redistributive schemes will be stymied without significant improvements in law enforcement and in state capacity more generally. Recent studies have shown, for example, that when it comes to disposable income the dramatic differences between Latin America and Western Europe are due, not to dramatic differences in gross income, but rather to differences in what is left after taxes and transfers.²⁷ Improved state capacity is essential to any redistributive political project, but remains an elusive goal in a broad range of democracies.

Reversing Democracy

What might the persistence of high levels of economic inequality mean for the durability of democracy? Given that a number of important studies have shown an association between high inequality and democratic collapse, ²⁸ it would be surprising if no electoral democracy broke down in the years to come. But, as our failure to foresee the fall of communism illustrates, predicting regime change is a perilous business. Tracing possible trajectories and speculating on the factors that might move polities along particular routes to change is more appropriate.

Our speculations should begin with the recognition that economic

inequality by itself will not be the cause of any democracy's collapse. If economic inequality were a sufficient cause for democratic breakdown, we would have no democracies at all. Economic inequality can be cited as a rationale for regime change, but such a change requires much more than an abstract rationale. Even in a situation where extreme inequality is present, democratic breakdown will require the formation of a decisive coup-supporting coalition—a critical mass of counterelites that have not only the will but the ability to topple democracy.

Recent years have seen the forging of successful coup coalitions, but they have emerged in countries that differed dramatically in both their levels of economic inequality and the trajectories along which such inequality was evolving before the coup took place. Thailand and Bangladesh were different on both dimensions when their last coups occurred. Thailand's level of economic inequality was relatively high compared to that of other Asian democracies when the military intervened in 2006, but was at a historic low domestically. In contrast, Bangladesh's level of inequality was among the lowest in Asia at the time of its military intervention in 2007, but there inequality was on the rise.

Economic inequality does not correlate in any simple way with coups, and it does not correlate in any simple way with populism either. A quick review of the "populist wave" in Latin America and Central and Southeastern Europe makes the point.²⁹ Approximately 5 of Latin America's 21 electoral democracies have populist leaders at present. Given the region's levels of inequality, this fact is noteworthy in itself but the few countries that have turned toward populism are a diverse lot. Venezuela's level of economic inequality had risen (and then leveled off) in the years prior to the election of Hugo Chávez in 1998, but it was still lower than that of any other Latin American country save Uruguay. In contrast, the levels of income inequality in Bolivia and Ecuador were the highest in the region when Evo Morales and Rafael Correa were elected to the presidencies of their respective countries, but Ecuador's level of inequality was on the decline. Nicaragua presents yet another pattern: Inequality was rising when Daniel Ortega was elected in 2006, but it had declined markedly prior to 2001 and was in the middle range for the region.

The association between economic inequality and the success of populist parties in Central and Southeastern Europe is also far from clear. The four countries where the populist wave is thought to be strongest represent nearly the full spectrum of regional inequality levels. Poland has one of the highest levels of inequality in the region, Bulgaria's and Hungary's are lower, and Slovakia's is possibly the lowest of all. The trends in inequality vary too. By at least one measure, the posttransition increases in Poland and Bulgaria have been fairly steady, while inequality trends in Hungary have been erratic.³⁰ Levels of economic inequality might affect both the nature of regimes and the popularity of parties, but not in any easily predictable way.

The current economic crisis, combined with longstanding economic inequalities, may heighten the likelihood that antidemocratic coalitions will emerge. Democracies of various sorts are already experiencing (sometimes violent) mobilizations by the disadvantaged. But we must distinguish between the capacity to disrupt and the capacity to actually force a regime change. Toppling a democracy has never been easy, and it might be even harder now than it was in the past.

To begin with, international actors have raised the costs of antidemocratic coups. Today's would-be coup-makers must cope with constraints unknown to their Cold War predecessors. For many (though not all) states, a coup will mean foreign-aid cutoffs, the denial of recognition, the imposition of economic sanctions, and a loss of access to the resources and prestige of international organizations. A great deal of research shows that the survival prospects of competitive regimes benefit from a favorable international political environment,³¹ and this is what we have—at least for now.

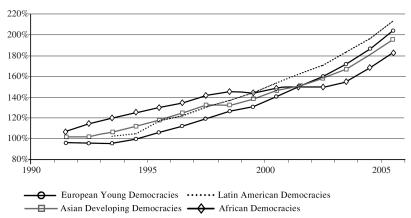
A second barrier hampering coup-makers springs from the lessons of dictatorship itself. In many Latin American countries, the classes that might once have backed authoritarianism now realize that they enjoy better access to power under democracy than they did under dictatorship. A third barrier emerges from the fact that many democracies in the developing and postcommunist worlds have performed reasonably well in certain policy areas. They may have failed to stem rising economic inequalities, but they have been more successful on other fronts. The level of success varies from country to country (and some democratic governments have been disastrous), but democratization has generally coincided with significant advances in key arenas. Economic development provides one area of positive policy change; poverty alleviation provides another.

Figure 1 on the facing page shows that despite numerous other short-comings, postcommunist and developing-world democracies managed to make substantial advances in economic development between 1990 and 2005.

The strong association between economic development and democratic consolidation in the political-science literature suggests that these growth trajectories will have positive effects on regime legitimacy. Despite perceived rises in overall economic inequality, economic growth in many countries has expanded the middle sectors of society on which democracies are thought to depend. The middle classes, broadly defined, currently constitute half the world's population for the first time in history and, true to a longstanding stereotype, these middle sectors seem to support democracy.³²

Poverty reduction is another area in which democratic states in general have made advances. In keeping with the distinctions made earlier in this essay, trends in inequality and trends in poverty have diverged.





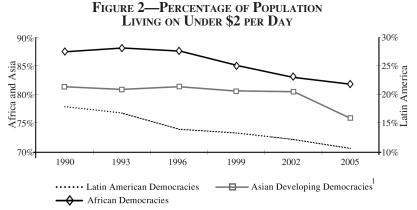
1. Average for countries which have been democracies from 1992 to 2005 (1990 = 100%). *Source:* based on IMF WEO.

Poverty remains a scourge throughout the developing world. In both South Asia and sub-Saharan Africa, the absolute number of people classified as poor has actually grown since 1990. But by at least one important measure, the poverty rate in developing-world democracies has fallen in recent years. Figure 2 on the following page shows the trends as measured by the \$2-a-day threshold.

The implications of this decrease in the incidence of poverty are complicated. Foreign actors and aid programs may be pivotal, and thus problems of ownership and attribution emerge. These caveats aside, the drop in the poverty rate and the progress in human-development indicators may still be consequential for democracy. They mean at least a marginal improvement in the lives of millions of poor voters, and are in keeping with the expressed priorities of large sectors of public opinion. A recent study of all democracies founded between 1961 and 1995 found that democratic durability in developing countries was most threatened not by economic inequality but by "basic needs shortfalls." It was not economic inequality that best explained democratic breakdown but the interaction of rising poverty and expanding growth.³³ If these results can be generalized, declining trends in poverty might help to explain why so many contemporary democracies have survived despite rising economic inequality.

Democracy's Self-Defense Mechanisms

Each of the factors listed above may lessen the likelihood of democratic collapse and thus make the forming of coup coalitions more difficult. Yet the greatest barriers to forming a coup coalition might come from the qualities of democracy itself. Though the invasion of Iraq has made democratization suspect in many quarters, democracy as a sys-



1. Asian Developing Democracies include: Bangladesh, India, Philippines, Sri Lanka, and Thailand—democracies with a GDP (PPP) per capita under US\$10,000.

Source: World Bank PovCal.

tem of government still has powerful appeal. Purveyors of what Jacques Rupnik calls "an anti-democratic political culture" are playing a disruptive role in many states, but in most they are still outnumbered. This will surely matter as would-be coup-makers calculate the costs and benefits of trying to topple an elected regime.

But democracy is more than simply the favored form of rule. Democracy allows people to change governments without the risks and costs that an extralegal seizure of power entails. Ordinary citizens and disaffected elites who seek a radical change in policy can forego conspiracy and simply vote for parties and leaders who promise radical change. Dissuading a critical mass of actors from taking this lower-risk option is yet another challenge for those who would mount a coup.

The financial crisis has, of course, wreaked havoc with these trends, but potential coup-makers would have to cope with crisis too. With no record of success and the hostility of powerful international actors, they would have an uphill climb. In any case, democracies have proven surprisingly resilient in the face of economic crises. Between 1975 and 2007, the odds that a new democracy (that is, one which is ten years old or younger) would survive an annual inflation rate of 50 percent or more were nearly 3 to 1. For an inflation rate of 15 percent, the chances were 5 to 1. The chances of a new democracy surviving after two consecutive years in which GDP fell by 5 percentage points were 4 to 1.34 These are fairly good odds and they have become decidedly better since the end of the Cold War.

Of course coup-makers or other aspiring authoritarians can beat these odds. Though the constraints outlined above make outright seizures of power for indefinite periods less likely, at least two other options remain viable. The first involves what might be called restorative coups. These occur during periods of political turmoil. They are rationalized

as attempts to restore order and fight corruption, and always come with promises to restore democracy at a later date. The 2006 military intervention that temporarily suspended democracy in Thailand is a case in point. A second option involves what might be called mandated disassembly. This involves the gradual disassembling of democratic institutions by populist figures with strong electoral mandates. Hugo Chávez has engineered a process of mandated disassembly in Venezuela. The ambiguity of the mandated-disassembly option may make it particularly attractive in the years to come.

It is worth noting, in closing, that the 2006 Thai coup was, in part, a reaction to Prime Minister Thaksin Shinawatra's highly publicized attempt to remedy economic inequality and redistribute resources to the poor. The deterioration of democracy in Venezuela (including a failed 2002 coup against Chávez) has also been linked, in part, to a broad range of programs framed as attempts to combat economic inequality. These cases remind us that the interactions of political and economic inequalities are as convoluted as they are consequential. They also suggest a sad irony: Dramatic attempts to reverse economic inequality may pose a sharper threat to democracy's durability than does economic inequality itself.

NOTES

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