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Empirical Papers on Public Opinion, Party Competition, and Income Redistribution in Developed Democracies

Thesis for the degree of Philosophiae Doctor

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Contents

Preface

Chapter 1:

Introduction

Chapter 2:

Income Inequality and Demand for Redistribution: A Multilevel Analysis of European Public Opinion

Chapter 3:

Immigration and Preferences for Redistribution: An Empirical Analysis of European Survey Data

Chapter 4:

What if Robin Hood is a social conservative? How the political response to increasing inequality depends on party polarization

Chapter 5:

What Parties Are and What Parties Do: Partisanship and Welfare State Reform in an Era of Austerity

Preface

This dissertation consists of an introductory chapter and four papers. The fourth paper is joint work with Kåre Vernby (Postdoctoral Fellow, Uppsala University). The first paper has been published in *Scandinavian Political Studies*, the second paper has been published in *Comparative European Politics*, and the third paper has been published in *Socio-Economic Review* (in press, available via Advanced Access).

A long list of people deserve credit for helping me along the way. My supervisors, Ola Listhaug and Axel West Pedersen, have always been available for discussions and have offered constructive criticism on all the chapters in this dissertation. The same is true for Ann-Helen Bay. The members of The Politics of Welfare Policy project group (Jo Saglie, Rune Karlsen, and Elin Haugsgjerd Allern), colleagues at NOVA (current and former members of “Trygdegruppa” and “Kvantitativt forum” in particular), Kåre Vernby, Staffan Kumlin, Kevin Young, and panelists at the seminars and conferences where I have presented my papers, also deserve to be mentioned. I would also like to thank Torben Iversen at Harvard University for accepting my Visiting Fellow application to allow me a one semester stay at Harvard. I very much benefited from that stay. I greatly appreciate funding from the Norwegian research council under the project The Politics of Welfare Policy and the Leiv Eriksson mobility scholarship.

Last but not least, Hanne has always been willing to discuss my papers when needed, and not willing to discuss them when that was needed.

Oslo, August 2009,

Henning Finseraas

Chapter 1:

Introduction

1 Introduction

The topic of this dissertation is the democratic politics of income redistribution in advanced industrialized countries. More specifically, the dissertation analyzes voters' preferences for redistribution and the interplay between voter preferences and party competition in the formation of redistribution policy.

The study of redistribution can be given a number of motivations. Mahler and Jesuit (2006) justify their work on the creation of the Fiscal Redistribution Data set by referring to Lasswell's famous definition of politics as "who gets what, when, how", in other words putting issues of income inequality and redistribution at the core of political science. Income inequality and redistribution are at the center of debates about what principles a society should adhere to in order for its income distribution to be characterized as just (e.g. Sen, 2000), the potential for equalization of resources via a democratic political system (e.g. Lindert, 1994), and the political (e.g. Anderson and Beramendi, 2008), economic (e.g. Alesina and Perotti, 1996), and social (e.g. Fajnzylber, Lederman and Loayza, 2002) consequences of inequality. Political struggles to equalize the distribution of resources were institutionalized into political parties in all Western European countries (e.g. Bartolini and Mair, 1990, 42), and opposition to extensions of suffrage in the eighteenth century is typically explained by fears among the political and economic elite that "the rabble would expropriate the rich" (see, for instance, Acemoglu and Robinson, 2006). Finally, income inequality has increased in most OECD countries over the last decades (OECD, 2008), putting these issues high on the political agenda.

The OECD countries are all governed by democratic institutions, but they emphasize the issue of redistribution and respond to changing levels of inequality differently. Cross-national studies are needed, not only to describe these patterns, but also to understand the underlying mechanisms driving the differences. The comparative literature on inequality and redistribution has developed theory and examined empirical data at the macro-level: cross-national differences in inequality and redistribution have been traced back to the strength of the political left (e.g. Korpi and Palme, 2003), different political (e.g. Iversen and Soskice, 2006) and labour market institutions (e.g. Rueda and Pontusson, 2000), pre-transfer wage inequalities (e.g. Moene and Wallerstein, 2001), economic openness (Rodrik, 1998), and industrialization (e.g. Wilensky, 2002).

There is no doubt that this literature has been very successful in its attempt to understand cross-national variation in redistributive policies. Nonetheless, there is a growing interest in a less macro-oriented approach, where studies of voters, and the interplay between voters and political, economic, and institutional variables, are more central. This dissertation contributes to this trend by analyzing determinants of redistributive preferences and how voter preferences and political competition interact to shape welfare state policy. This is a field where the public opinion/voting literature and the traditional comparative welfare state literature meet. One aim of the dissertation is to show that by combining these two research traditions one can test, supplement and expand on existing macro-level theories of redistribution. By studying the interaction between voters and political competition, the dissertation is also relevant for the literature on the relationship between voters and the political elite.

The papers show that a traditional interest-based approach is still very useful in understanding redistribution politics. Position in the income distribution is still important for a voter's preference for redistribution, and political parties still present different platforms on redistributive policies. However, in the words of Przeworski and Sprague (1986, 8), "the organization of politics in terms of class is not inevitable", i.e. the importance of class politics is not constant across elections and election periods. Redistribution policy does depend on to what degree parties represent class interests and to what degree voters form political beliefs according to their position in the income distribution. The saliency of competing policy dimensions has the potential to affect redistribution policy, particularly if political parties compete on alternative policy dimensions. Voter preferences on redistribution seem to be less *directly* influenced by competing policy dimensions.

The next section gives a short review of the major schools of modern welfare state research. Section three spells out a) how the macro-oriented research traditions can be moved forward by public opinion research, and gives examples of how this has been done in the literature, b) how both traditions inform the papers in this dissertation, and c) how they contribute to the specific literature on inequality and redistribution. Section four discusses some methodological issues relevant to all the papers in this dissertation. Section five presents the papers that constitute the dissertation, while section six concludes.

2 The Major Schools of Welfare State Research

This section gives a short review of the most influential schools of welfare state research, arranged under the headings: structural, partisan and institutional. These theories motivate the papers in this dissertation. When relevant, I outline the microfoundations, i.e. the assumptions about voters and public opinion, and how they understand, or what role they assign to, the interaction between voter preferences and party competition. Finally, I review the most important contributions from a growing micro-oriented literature that relies more heavily on public opinion data than the traditional schools of research.

The earliest comparative welfare state research was **structuralist** in nature, with the so-called logic of industrialism thesis as the first major school of modern macro-oriented research. The logic of industrialism thesis, also labeled convergence theory, is closely associated with Wilensky (2002, 1975). Wilensky (2002, 3) sums up convergence theory as "the idea that as rich countries got richer, they developed similar economic, political, and social structures and to some extent common values and beliefs". The driving force behind convergence is industrialisation. Wilensky (2002, 3-4) criticizes the early research within this tradition for relying on too broad an understanding of the concept of industrialization and now understands it basically as technological progress, measured by economic level. Technological progress causes structural and organizational changes that affect political demands and thus, ultimately, actual policies.

Wilensky argues that convergence will happen in many policy areas, including welfare policy. In a somewhat functionalistic fashion, he identifies economic growth as the "root cause" (2002, 214) for a general trend towards convergence. Economic development causes a growth of elderly people which increases the demand for social spending. Moreover, economic development changes the occupational structure for instance by inviting women into the labour market, which, among other things, reduces the will to care for aging parents. In general, economic development increases the demand for social insurance against income loss due to sickness or job injuries, and simultaneously creates the resources needed to finance welfare arrangements. Wilensky (2002, 212) presents empirical evidence that welfare state spending correlates with the level of prosperity and that levels of spending tend to converge when countries get richer; however, the speed of convergence seems to have slowed down the last decades.

Although Wilensky argues that rich countries converge in the sense of developing the same “seven or eight” (2002, 212) social programs, he does not argue that modes of financing necessarily converge. Moreover, he modifies his claim of convergence regarding the “richest 22 countries” (2002: 212) due to, among other things, differences in the strength of the labor movement, the degree of social mobility, and attitudes toward taxation among the middle class.¹ Wilensky emphasized these modifying forces even in his early work (Wilensky, 1975, chapter 3), but his critics have typically disregarded these modifications and emphasized his claim of welfare state convergence. However, in the absence of any good explanation as to why the richest countries differ on these accounts, these modifications appear as somewhat ad hoc and significantly reduce the parsimony and elegance of convergence theory. In addition, the emphasis on labor movement mobilization makes it impossible to empirically distinguish between predictions derived from the logic of industrialism school from power resource theory (see below).

Wilensky’s emphasis on the importance of economic development and industrialization connects his work to the work of Kuznets (1955). The famous Kuznets’ curve on the relationship between economic development and level of inequality says that there is an inverted U-shaped relationship between these two variables: inequality increases with economic development to some point, but then flattens and eventually reverses. Kuznets speculates that industrialization is associated with increasing inequality at low levels of economic development because inequality is typically wider in urban, industrialized areas compared to rural, agrarian areas, but as the economy develop and the influence of the poor increases, the inegalitarian trend flattens and eventually reverses.

The logic of industrialism thesis has some similarity to the more recent and influential compensation hypothesis, often associated with Rodrik (1998) and Garrett (1998), yet going back to Cameron (1978). The compensation hypothesis says that more open economies have larger governments to compensate for the risks associated with income volatility due to economic openness. Compared to the logic of industrialism, the compensation hypothesis, at least as formulated by Rodrik (1998), appears less functionalistic because the micro-

¹Wilensky (2002, 247) concludes that “the structural correlates of industrialization push all rich democracies toward convergence at a high level of social spending; differences in the power of mass-based political parties as they interact with national bargaining patterns (...) explain the differences (...) among the countries equally rich”.

foundations are clearly spelled out. However, the empirical evidence in support of a causal relationship between trade openness and welfare state spending is contested (Iversen, 2001; Kim, 2007).

Finally, there are some similarities between convergence theory and Meltzer and Richard's (1981) median voter model of redistribution. The Meltzer-Richard model claims that the level of redistribution depends on the distribution of pre-tax income. The distribution of pre-tax income is right-skewed in all OECD countries, which implies that the median income is lower than the mean income. The median income voter has an incentive to close this gap so that the larger the distance between mean and median income, the more redistribution the median voter demands. The actual level of redistribution will reflect the median voter's demand for redistribution because the model assumes that democratic politics is about winning the median voter. In a comparative perspective, the model predicts that the degree of redistribution from rich to poor will be larger in countries with a high level of market inequality. Thus, a notable similarity between convergence theory and the Meltzer-Richard model is that the public demand for welfare policy is a convergence force with regard to disposable income inequality. Moreover, political parties and institutions are absent in both models. The similarity between the two perspectives should not be pushed too far, however, as the logic of industrialism is very much a macro-level theory which underspecifies its micro-foundations, while the Meltzer-Richard model, having its roots in microeconomics, spells out the (parsimonious) micro-foundation very clearly, yet grossly simplifies the political process at the macro level.

While the structuralist theories are more or less free of politics, there is a large branch of **partisan** theory of welfare state development. The most influential is the power resource perspective, with Walter Korpi (1983; 1998; 2003; 2006) as its main contributor. Power resource theory is extensively covered in Paper IV, but I will nevertheless repeat some of its main arguments here, and also present some recent influential critique of power resource theory not extensively discussed in the papers.

In allegiance with Marxist theory, Korpi (1983) views labor as subordinate vis-a-vis capital and emphasizes control over means of production and human capital as the most important power resources. The core argument of power resource theory is that relatively disadvantaged actors in the labor market are

likely to attempt to organize politically to modify market outcomes, while employers (capital) oppose this effort (e.g. Korpi and Palme, 2003, 427). Korpi (1983) deviates from Marxist theory by acknowledging that power resources are “probably” more equally distributed in capitalist democracies than in societies with “different economical and political systems”, i.e. accepting that working class organizations can be successful in a “democratic class struggle”. The degree to which labor manages to overcome its collective action problems and organize via unions and (social-democratic) parties determines the generosity of welfare state programs and hence the scope of redistribution from the advantaged to the disadvantaged. Compared to the logic of industrialism theory, which in its modified form makes similar predictions for welfare policy in advanced industrialized countries, power resource theory has a much more developed theoretical foundation in the sociology of class.

The importance of partisanship has also been emphasized in a large literature in political economy (see Iversen, 2006, for a review). This literature is typically motivated by the apparent lack of empirical support for median voter models of redistribution. Partisan models abandon the assumption of the median voter model that parties are solely opportunistic, and propose instead that parties represent particular segments of the electorate: relative extreme (i.e. not median) voters are given disproportionate policy influence, for instance in exchange for unpaid work during campaigns. Thus, policy will diverge from the preference of the median voter and vary systematically with who governs.

Esping-Andersen’s (1990) highly influential *Three Worlds of Welfare Capitalism* is sometimes considered as part of the power resource perspective (see Korpi, 2006), while others place more emphasis on the cross-class coalitions identified by Esping-Andersen (see Iversen, 2006). Esping-Andersen classifies the welfare systems of advanced industrialized countries into three regimes: a social-democratic regime in which progressive taxation finances universal, relatively flat, yet generous benefits, a liberal regime in which taxation finances means-tested and less generous benefits, and a conservative regime in which benefits are closely matched with income and occupation. The social-democratic regime aims at redistribution from advantaged to disadvantaged, the liberal regime aims at upholding incentives to work, while the conservative regime aims at status preservation. Esping-Andersen argues that regime types have developed depending on which class coalitions have emerged: the social-democratic

regime is a result of a coalition between labour and agrarian organizations,² the liberal regime is a result of the absence of a strong labor organization, while the conservative regime is a result of a state-corporatist coalition defending itself against a strong labor movement. However, exactly *why* these coalitions seem to be so stable is not properly explained (Iversen, 2006). Moreover, recent research has not been able to replicate his findings (despite using the same data sources), and also questions the stability of the regime types (Scruggs and Allan, 2006, 2008).

A feed-back process between welfare state institutions and public support for welfare is one potential mechanism that can explain regime stability (Esping-Andersen, 1990; Korpi and Palme, 2003). Generous welfare state institutions provide low-scale groups with power resources that improve their position vis-a-vis employers and also makes it easier to organize to resist retrenchment. Moreover, the inclusion of the middle class into public welfare arrangements ensures that the coalition in support of the status quo is larger than in liberal welfare states. Finally, some argue that voters tend to accept the existing welfare state configuration so that support for the underlying principles remains high (see Jæger, 2006, for a discussion of these arguments). Obviously, such feed-back mechanisms run contrary to a “thermostat” view of politics inherent in, for instance, the Meltzer-Richard model, in which the demand for redistribution will decrease if welfare state institutions manage to reduce the level of market inequality.

Two recent criticisms of power resource theory deserves to be mentioned. Paul Pierson’s critique of power resource theory (Pierson, 1994, 1996, 1998) has been particularly influential since the mid-90s. Essentially, Pierson argues that while the power resource perspective can account for the growth of the welfare state, it is unable to explain the decline of the welfare state. Interestingly, Paul Pierson also emphasizes feedback from existing welfare state institutions; however, in his account, the feedback mechanisms have resulted in a replacement of class politics as the fundamental determinant of welfare state politics. I will not discuss this literature here, as it is extensively reviewed in Paper IV of this dissertation. Moreover, Pierson’s New Politics of the Welfare State perspective cannot be considered as a unified “theory of welfare state retrenchment”, but

²However, the red-green coalition was gradually replaced with a worker-middle class coalition (Esping-Andersen, 1985)

more as a framework to understand why retrenchment is so difficult to implement, and as a call for a better understanding of the role of public opinion and political competition in welfare state research. As this dissertation makes clear, I share his latter view.

The second type of criticism is more fundamental and comes from a new branch of **institutional** political science.³ Proponents of the so-called Varieties of Capitalism (VoC) approach (Hall and Soskice, 2001) argue, in a somewhat functionalistic fashion, that specific economic and political institutions are complementary and reinforce each other. They distinguish between liberal market economies and coordinated market economies, arguing that they differ according to what type of skills the economy depends on: liberal market economies depend on general skills, i.e. skills which are easily transferred from one firm to another, while coordinated market economies depend on specific skills, i.e. skills which are firm- or occupation-specific. According to the VoC perspective, countries have set up political and economic institutions that ensure the development of the type of skills needed in the particular country.

Estevez-Abe, Iversen and Soskice (2001) rely on the distinction between liberal economies depending on general skills and coordinated economies depending on specific skills to explain the cross-national variation in type and generosity of welfare programs. According to Estevez-Abe et al. (2001), firms in economies relying on specific skills support extensive welfare arrangements, in particular unemployment schemes and employment protection regulation, because workers demand such arrangements to invest in the specific skills that firms require. Workers will not invest in firm/occupation-specific skills if this protection/insurance is lacking because such skills are not transferable to other firms/occupations if they lose their job. Thus, while the power resource perspective views capital as opponents, or at least never as *proponents* of extensive welfare programs (Korpi, 2006), the VoC perspective argues that employers in economies relying on specific skills depend on extensive welfare programs to get the skills they need and therefore support extensive welfare programs (Mares, 2001). According to Iversen and Soskice (2009), the VoC perspective is more powerful than the power resource perspective because it explains not only cross-

³In this introduction, I do not discuss the branch of institutional political science that emphasizes how constitutional institutions create veto points that constrain political actors. Huber, Ragin and Stephens (1993) is a classical reference on the importance of veto points for welfare state policy.

national variation in welfare institutions, but also why they persist, and why capital does not leave countries with extensive welfare programs.

Proponents of the institutionalist perspective also differ from power resource theorists regarding the explanation of why the Left is more successful in some countries compared to others. While proponents of the power resource perspective view the strength of Left parties as a consequence of labour mobilization, these two variables are not strongly correlated (Iversen and Soskice, 2009). Instead, Left parties seem to be more successful in countries with electoral systems applying proportional representation compared to countries with majoritarian electoral systems (Iversen and Soskice, 2006). Iversen and Soskice (2006) argue that this regularity is not coincidental. The core of their argument is that the multiparty nature of PR systems implies that there exists a center party assumed to serve the interests of the middle class, and that this party is more likely to enter a coalition with the Left party than the Right party. This is so because the Left party can offer progressive taxation and redistribution from the rich to the poor *and* to the middle class, while the Right party can only offer low taxation and no redistribution (assuming that redistribution cannot be regressive). In majoritarian systems, however, the middle class does not have its own party. In this situation, the middle class will vote Right because they fear that the Left party will move too far leftwards if they win the election, i.e. tax both the rich and the middle class yet only redistribute to the poor. While proponents of the power resource perspective might argue that the choice of electoral system depends on the strength of the labour movement, the VoC perspective holds that choice of electoral system depends on the structure of the economy: coordinated market economies choose PR while liberal market economies choose majoritarian electoral system (Cusack, Iversen and Soskice, 2007).

Recently, a **public opinion-based** literature using survey data more extensively than previous research to explain the cross-national variation in welfare state institutions has developed.⁴ This literature does not constitute a school of research in the same manner as the theories discussed above, but there are a number of papers with the communality that they examine the consequences of country characteristics, typically religious or ethnic diversity, for welfare state

⁴There is also a growing experimental literature on preferences for redistribution, see Barber, Bermandi and Wibbels (2009) for an example and review of the literature.

attitudes or voting behaviour (Alesina, Glaeser and Sacerdote, 2001; Alesina and Glaeser, 2004; Scheve and Stasavage, 2006; De La O and Rodden, 2008). In general, this literature gives public opinion a more exogenous role as a political force. This is most explicitly stated in Brooks and Manza (2006) as they propose that elected politicians continuously adjust social policy to policy moods among the voters.

Alesina and Glaeser's (2004) influential work on how ethnic diversity undermines the potential for a generous welfare state is less explicit than Brooks and Manza, but still emphasizes the role of public opinion. Alesina and Glaeser (2004) draw upon so-called conflict theory, in which people are more likely to look favorably on members of their own group. They argue that ethnic diversity makes it easier for politicians that oppose redistribution to instill a picture of redistribution as mainly or disproportionately benefiting ethnic minorities, which then reduces the public demand for redistribution. Alternatively, xenophobia caused by ethnic diversity might not influence the demand for redistribution, but instead influences the voting decision of xenophobic but redistribution-friendly voters so that redistribution-friendly parties lose support (Roemer, Lee and Van der Straeten, 2007).

The logic in Alesina and Glaeser (2004) can be generalized beyond issues of race, so that preference heterogeneity caused by some sort of population heterogeneity influences redistribution policy in a similar manner as ethnic diversities. For instance, Scheve and Stasavage (2006) argue that religious beliefs function as insurance against the psychic costs associated with adverse life events. The lower psychic costs for religious voters lowers their demand for social spending, which ultimately lowers the actual level of social spending. Roemer (1998) argues that religion functions as a wedge issue that affects voters' party choice and party platforms and thus ultimately undermine the amount of redistribution provided via the political system. Huber and Stanig (2009) present a theory of how religion undermines the amount of redistribution without influencing the demand for redistribution. In their model, government-supported religious organizations create the potential for a coalition between the religious poor and the rich, in which the religious poor vote for low taxes if the religious rich contribute to redistribution via religious organizations.

Compared to the theories discussed above, the public opinion-based literature, in particular the literature on the importance of ethnic diversity, has more

potential to explain change in redistribution and demand for redistribution over time. This is so simply because the fundamental determinants in the classic theories (institutions, industrialization and “partisan hegemony”) change very slowly, while public opinion can, at least in theory, change more quickly.

To end this short, and by no means complete, review of the macro-oriented research, I will quote from the conclusion of Paul Pierson’s (2000) review of welfare state research. He claims that welfare state research has been “problem-driven” rather than “theory-driven” where researchers have not been predominantly interested in testing the “limits of some pet general hypothesis”. I believe that this is true to some extent, but I believe that the comparative research has become more theory-driven since Pierson wrote his review, and more concerned with testing the limits of the theories. To follow the terminology of Przeworski and Teune (1970), comparative welfare state research has become more inclined to replace country names with proper variables. The next section illustrates this development, and how this thesis is informed by this trend.

3 The Comparative Politics of Redistribution: Why and How to Combine Micro and Macro Approaches

This section identifies commonalities of the papers in this dissertation and relates them to the existing literature in the intersection of comparative political behaviour and comparative welfare state research. One aim of this dissertation is to show the usefulness of connecting these two research traditions, two traditions that have been weakly connected in the past. There is, of course, an older literature on comparative welfare state values (see for instance Listhaug, 1990), however, the link between comparative welfare state theory and comparative survey research is much more explicit in the literature I review below.

Strictly speaking, to understand why some countries redistribute more than others and why the level of redistribution changes over time, we must understand all steps of the democratic political process. Anderson and Beramendi (2008, 12) propose that this involves an understanding of voter preferences on n-dimensions, voters involvement in politics, the relationship between voters and political parties, how this relationship is shaped by political and economic

organizations, and how this shapes the final policy. Obviously, a single paper cannot grasp all these steps. The traditional approach of the macro-oriented literature has been to theorize more or less rigorously about voter preferences, the aggregation of voter preferences and/or how parties and institutions affect policies, but restrict the empirical analysis to the latter steps of this chain (e.g. Iversen and Soskice, 2006; Moene and Wallerstein, 2001).

One obvious way to defend this approach is by reference to parsimony: the final steps of the causal chain are closer to the outcome of interest, thus, the main focus should be on these steps. I am sympathetic towards this argument.⁵ Although the conception of voter preferences is generally quite simple, i.e. preferences are assumed to be derived directly from own income and/or risk of income loss, the direct claims are often not in conflict with findings from survey research, something which strengthens the parsimony argument.

Nonetheless, “not in conflict” with survey research is certainly weaker than “supported by” survey research. For instance, while the typical finding that voters with a low level of formal education are more likely to support redistribution is *not in conflict* with a proposition that voters with specific skills are more likely to support redistribution, the latter received empirical *support* only when the specific skills argument was tested directly (Iversen and Soskice, 2001). Moreover, some influential claims about voter preferences remain untested while also appearing to be in conflict with survey research, for instance the claim of Moene and Wallerstein (2001) that the insurance motive dominates the redistributive motive for the median voter (see, for instance, Paper I in this dissertation).

Brooks and Manza (2006) present a radical understanding of why voter preferences should be more explicitly considered when studying welfare state development by suggesting that there is a direct, mechanic relationship between pub-

⁵Other potential ways to defend this approach would be to say that it is trivial to argue that “preferences matter”, and we should therefore spend our time on issues of how institutions or other macro variables matter *given* actors preferences. Others might argue that we cannot reveal actors’ true preferences using survey data and therefore are left to theorize about them. I am less sympathetic to these arguments. A purely institutionalist approach will not be sufficient if, as for instance the power resource perspective proposes (Korpi and Palme, 1998, 682), there is a feedback process between institutions and voter preferences. The claim that survey data is not suited to reveal preferences goes back to Converse (1964). Results in, for instance, Page and Shapiro (1992) suggest that preferences are not so unstable as this type of critique implies. Moreover, survey data can give us valuable information about how voter preferences are generated, that might be important for theories about redistribution.

lic opinion on redistribution and actual redistribution. Although coming from a different theoretical perspective, their view on the relationship between voters and policy is very similar to the median-voter theory of Meltzer and Richard (1981), in which changes in the distribution of income directly affect the level of redistribution from rich to poor. While I certainly believe that voter preferences influence public policy, I do not believe that the link is as direct as Brooks and Manza propose. I share Myles' (2006, 497) view that "the debate is not about whether public opinion 'matters' but rather about how and in what ways (...)".

I believe that comparative survey research can improve on the comparative welfare state literature in at least three ways. One can distinguish between the three ways by the different role of public opinion. Perhaps the most obvious way to employ survey data is to test assumptions in macro-theory about voter preferences or political behaviour. In the words of Rehm (2009, 856): "To evaluate our theories, sort out competing claims, and ultimately, build better theories, it is critical to test these individual-level mechanisms." Thus, one tests theoretical models where public opinion has an intermediary role. Secondly, one can consider political labour market or welfare state institutions or other economic or political structures as given and explore how they condition voter preferences or behaviour, under the assumption that this in the next step has consequences for public policy. Theories of path dependency and theories of voter mobilization are theories which are relevant for the welfare state literature that rely on this kind of logic (see, for example, Myles and Pierson, 2001; Anderson and Beramendi, 2008). Thus, one tests theoretical models where public opinion is formed by institutions. Third, the recent theoretical and empirical work on how non-economic issues affect redistributive politics (e.g. Alesina and Glaeser, 2004; Roemer, Lee and Van der Straeten, 2007, discussed in section two) are very specifically related to voter preferences and voting behaviour. This research is still in its infancy, at least in a comparative perspective, yet with a very controversial hypothesis regarding the challenges facing the European welfare state model as ethnic diversity grows. Thus, one tests theoretical models where public opinion has a more direct role in shaping welfare state policies.

In the following paragraphs I examine how survey research can or already has contributed to the macro perspectives and how the papers in my dissertation are examples of each of the three ways that survey research can test, complement and push forward the macro-oriented welfare state literature.

The micro-level assumptions of the logic of industrialization thesis are not perfectly clear. In Øverbye (1998), the logic of industrialization thesis simply says that risks associated with industrialization are driving the demand for welfare. In a somewhat similar fashion, Iversen (2001) suggests that de-industrialization implies risk of income loss which drives the demand for welfare. Rehm (2009) presents support for the de-industrialization hypothesis at the micro level, as he finds that workers in occupations with a high unemployment level are more likely to support redistribution. More generally, there is also evidence from the US that perceived job insecurity is associated with party choice (Mughan and Lacy, 2002). The compensation hypothesis has very clear individual-level predictions which its proponents did not examine: workers in industries open to trade should be more supportive of redistribution than workers in the sheltered sector. Rehm (2009) shows that this is not the case, which seriously challenges the logic underlying the theory.

The main purpose of the first paper is similar to that of Rehm (2009): to explore the micro level foundation of theory which has been influential in macro-level research. I am mainly concerned with the micro logic of the Meltzer-Richard model, in which support for redistribution is determined by the level of inequality. As I describe below, I find some support for this logic. I also address the compensation hypothesis, by exploring whether living in a country open to trade makes voters more likely to support redistribution. In line with Rehm, I find no support for the compensation logic.

The power resource theory has very clear micro foundations: poor, working class voters are mobilized to support Left parties in accordance with their self-interest as disadvantaged actors in the labour market. Moreover, proponents of the power resource perspective have been quite clear with regard to the importance of understanding the macro-micro link, with Korpi and Palme (1998, 682) stating that "the empirical testing of the macro-micro links among institutions and the formation of interests and coalitions provides a major challenge to social scientists". As spelled out in Korpi (2006), the micro-foundation of power resource theory is that voters are mobilized according to their class position and that distributive strife is about the strengthening of class politics relative to competing cleavages like religion and ethnicity.

There is a rich literature on the significance of class voting which supports the assumption that socio-economic position is an important predictor of par-

tisan alignment; however, to what degree class voting has declined is debated (Evans, 2000). The macro-micro links of power resource theory have also been examined in the literature which examines whether support for redistribution varies according to which Esping-Andersen (1990) welfare state regime type the country belongs to. This research tradition can be seen as the first attempt to combine comparative opinion research and comparative welfare state theory (Papadakis and Bean, 1993; Svallfors, 1997). This literature has produced, at best, weak support for the idea that welfare state regime type influences public opinion (Jæger, 2006).

However, given Korpi's (2006) mentioning of competing cleavages and the potential for "goal displacement" within Left political parties (Korpi, 1983, 23-25), it might be more relevant to understand the cross-national variation in class voting and whether the degree of class voting has any consequences for actual policy. As I spell out in Paper III, we should expect that it does, because a weak association between socio-economic position and political orientation implies a lower "politically relevant" demand for redistribution. Finally, we should expect party strategies, or, in the words of Korpi (1983, 23-25), to what degree Left parties choose a "goal displacement strategy", to influence the degree of class voting and the size of the partisan effect on welfare state policy (Paper IV). These two papers are examples of how micro assumptions in macro theory can be tested and how voters and parties interact in policy-making.

The significance of interest-based political preferences and behaviour is central also in the recent literature on the importance of non-economic political dimensions for redistribution. While the traditional non-economic dimension has been associated with religion and moral issues (Roemer, 1998; Scheve and Stasavage, 2006), much of the recent literature emphasizes ethnicity as an emerging line of conflict (Roemer, Lee and Van der Straeten, 2007; Alesina, Glaeser and Sacerdote, 2001; Alesina and Glaeser, 2004). The work of Alesina and Glaeser has been particularly influential, mainly due to their warnings that European welfare states might become more similar to the American welfare state as Europe becomes more ethnically diverse. They suggest that the demand for redistribution is smaller in the US compared to Europe because majority group voters do not want to redistribute to poor people of minority background, who are perceived to be undeserving recipients of government support. The literature has labeled this effect of xenophobia on redistribution as an anti-solidarity

effect.

The anti-solidarity hypothesis is perhaps the clearest example of how comparative survey research and comparative welfare state research need to interact, simply because the hypothesis needs survey data to be tested. The second paper in the dissertation represents a first-cut towards examining the relationship between xenophobia and support for redistribution, while also introducing an institutional perspective by examining to what degree the strength of the relationships vary across welfare state regime types. Thus, this paper is an example of how public opinion can play a more direct role for welfare state development, and how established institutions might mediate the effects of public opinion.

4 Methodological issues

In this section I discuss some general methodological issues that fit two criteria: 1) they are relevant to all of the papers in the dissertation, and 2) they are not, or only briefly, discussed in the papers. I focus on four different types of methodological issues, two at the micro level and two at the macro level.

First, all of the papers rely on comparative survey data. Traditional problems of survey data are potentially more problematic when the survey data is cross-national. I focus on two aspects, cross-national variation in response rates and the challenge of cross-national equivalence. These issues are related to the micro-level data. Second, all papers address issues and rely on macro data from so-called advanced, democratic, industrialized (i.e. OECD) countries. This type of research has some peculiar problems, in particular related to the unknown data generating process and the “small-N” problem (i.e. few macro units and many competing theoretical models). These issues are related to the macro level.

4.1 Micro: Non-response and Equivalence

A fundamental issue in the study of public opinion is the question of preference consistency among the voters. Converse (1964) represents what has been labeled the minimalist position: the typical voter is ill-informed, unable to deduce policy preferences from abstract ideological positions and lacks preference consistency over time. Converse (2007) claims that his position has been exaggerated, and later research found a larger degree of consistency than Converse

(1964). Although I do not disregard the importance of this issue, I will instead focus on two sources of bias that are especially relevant for comparative survey research.

Comparative survey research faces the same methodological challenges as national survey research. However, Jowell (1998) argues that good practices regarding data collection are “too often suspended when it comes to cross-national studies” (p. 168), either out of practicality or due to clashes between cultural norms. Here I will focus on two methodological challenges of particular importance in cross-national research: response rates and equivalence.

The European Social Survey defines the response rate as the percentage of sample members that participate in the survey (Michel and Jaak, N.d., 2).⁶ There are, however, many ways to calculate the response rate and this makes it problematic to compare response rates across surveys (Groves, 1989, 140). Non-response is a source of bias if respondents and non-respondents differ on the survey estimates. Research documents that respondents and non-respondents differ, most so on demographic characteristics; however, the bias due to this difference is found to be small (Keeter et al., 2000). In cross-national research will the observed differences between countries on the variables of interest be affected if the difference between respondents and non-respondents varies across countries.

I rely on data from two comparative survey programs in this dissertation, the European Social Survey (ESS) and the World Values Survey (WVS). While the WVS does not present response rates because “most of the participating institutes did not report response rates” (WVS, N.d., 8), the ESS has analyzed the cross-country variation in response rates (Michel and Jaak, N.d.). They document a large cross-national variation in response rates, which varies from almost 80 percent in Greece, to only 33 percent in Switzerland. Most countries, however, report a response rate of around 70 percent. The source of non-response is similar across countries, with refusal to participate as the most important reason of non-participation. Although Switzerland is an outlier (and its response rate is not strictly comparable to the other response rates (see Michel and Jaak, N.d., note 2, table 1)), this large variation is potentially affecting the cross-national variation on the variables we are interested in. Given the fact that the ESS is

⁶I.e. I am not talking about missing observations on the various survey items, a topic that I do cover in the papers.

regarded as a top-quality cross-national survey, problems are not likely to be smaller in other cross-national surveys.

Perhaps the most discussed problem in comparative survey research is that of equivalence. Equivalence refers to the degree of comparability of survey items across different cultures (Van de Vijver and Leung, 1997); for instance, the equivalence of the left-right scale is low if the notion of left and right has very different meanings across countries. I should hasten to add that equivalence is a much more general term than the response rate, as the level of equivalence is affected by all aspects of data collection, including the response rate. I should also add that there can be problems of equivalence in national surveys too,⁷ for instance in ethnically/linguistically/religiously heterogeneous countries, but the problem is assumed to be potentially larger in cross-national surveys (Hjerm and Ringdal, 2008; Jowell, 1998).

The most basic source of equivalence problems in comparative survey data is translation; in some cases it might be difficult to ensure that translation of items across countries do not reduce the comparability.⁸ If necessary, question wordings should be different across countries as the goal is to have *equivalent* not *identical* items (Van Deth, 1998). ESS, in particular, has gone at great lengths in ensuring that translation problems are kept at a minimum (O’Shea, Bryson and Jowell, 2002). Moreover, the particular survey items that I study are directly related to the left-right cleavage, which should not be very problematic with regard to translation issues because the left-right cleavage is so central across advanced industrialized countries.

Van Deth (1998, 6) suggests that one should be more concerned about functional equivalence than about issues related to translation. Functional equivalence refers to “the requirement that concepts should be related to other concepts in other setting in more or less the same way” (p. 6), and he proposes several different strategies to ensure a high level of functional equivalence. One of these strategies are to increase the level of abstraction so that country-specific differences become irrelevant. Again, I believe that the issues directly related to the left-right cleavage should be sufficiently abstract to avoid serious problems of functional non-equivalence. However, the questions regarding immigration

⁷The issues of equivalence is even more general as it is not restricted to survey research but applies to all kinds of variable oriented research involving different contexts.

⁸As an example, the Japanese language does not have an appropriate word to cover the concept of God (Jowell, 1998, 172)

and immigrants used in Paper II might be problematic, in so far as respondents from different countries have different types of immigrants and immigration in mind when answering these questions. This might be the case for instance due to the different histories of immigration in the European countries.

4.2 Macro: The data generating process and the “small-N” problem

The debate about the merits and problems of quantitative studies of public policy in the advanced industrialized countries has intensified with the growth of such studies over the last 10–15 years (Franzese, 2007; Kittel, 2006; Shalev, 2007; Przeworski, 2007; King and Zeng, 2007). These recent contributions are largely concerned with the possibility of detecting causal relationships using comparative macro data and, with the exception of Kittel (2006), do not question the epistemological and ontological foundations of “positive” political science (i.e. the idea there exists law-like relationships that can be understood via empirical studies). Two basic and fundamental problems concern the data generating process and the problem of few macro units.

Przeworski (2007) describes the problems regarding the unknown data generating process for making causal inferences by spelling out how the identification of a causal effect in experimental research relies on ensuring that the data is generated by a random process. In experimental studies, where units are randomly assigned to the treatment group or the control group, the two groups will typically be balanced with respect to the distribution of values on both the observed and unobserved covariates. Since we only observe the units as either treated or non-treated, we need to make some assumptions about the values on the dependent variable if the treated were non-treated and vice versa (i.e. the counterfactuals) to estimate the causal effect (see also King, Keohane and Verba, 1994). The two necessary assumptions about counterfactuals — 1) that two identical units would have the same expected values as treated as if non-treated, and 2) that units not exposed to treatment would react identically to those under treatment if treated and vice versa — are reasonable when the data generating process is random.

Few would argue that history generated the OECD data we observe at random. Thus, even though we can potentially balance our data on the observed covariates (via matching techniques), we do not know whether the data is bal-

anced on the unobserved covariates. While the random data generating process ensures that assumptions about counterfactuals are reasonable, comparative political scientists have to assume that history could have generated a completely different world from the observed one (Przeworski, 2007). Przeworski (2007) therefore argues that comparative political science also has to understand why history have produced the world we observe. For instance, when we find that centralized wage bargaining is associated with wage equality (Rueda and Pontusson, 2000), we need to know why some countries have established centralized wage bargaining institutions to establish whether these institutions cause wage equality, or whether it is simply easier to establish centralized wage bargaining in countries with a comparatively flat wage structure. According to Przeworski (2007), comparative politics will be merely descriptive and not scientific unless we understand “the causes of effects as well as the effects of causes”. In essence, this is the problem of endogeneity, but expressed in more “general” terms than what is typical in discussions of endogeneity, which tend to focus solely on the *technical* (statistical) problems and solutions in the case of an endogenous relationships between dependent and independent variables (see for instance Franzese, 2007, 61-67).

Persson and Tabellini (2003) and Franzese (2007) discuss various estimation methods to deal with this and related problems when detecting causal effects in comparative politics. The most popular strategy is instrument variable (IV) regression. IV regression identifies the causal effect by finding a variable that is related to the independent variable (the assumption of validity) but unrelated to the dependent variable, apart from via the independent variables in the empirical model (the exclusion restriction). While this method is potentially powerful, it is notoriously difficult to find instruments that fulfill the latter criteria and, if the exclusion restriction is not fulfilled, IV regression is biased too. To make matters worse, the exclusion restriction is not testable with empirical data, i.e. one needs strong (theoretical or historical) arguments to justify the fulfillment of the exclusion criteria (Przeworski, 2007). Nonetheless, there are published papers on redistribution in OECD countries that use IV regression (Mahler, 2008), but, unfortunately, the instruments are not convincing with regard to the exclusion criteria.⁹ Finally, IV regression and other estimation techniques

⁹One of Mahler’s (2008) instruments for the effect of voter turnout on redistribution is electoral disproportionality, but Iversen and Soskice (2006) (and Papers III and IV in this

to handle endogeneity and related problems typically requires sample sizes larger than what we usually have when studying politics in the OECD area (Franzese, 2007).

Thus, it is difficult to account for all the potential problems discussed above. However, few, if any, comparative studies are scientific judged by Przeworski's (2007) high standards. This dissertation does not provide solutions to the problems he emphasizes. However, combining data at micro and macro levels and test hypothesis generated from the same theoretical perspective at both levels, does at least strengthen the belief in the causal argument compared to a study relying on purely macro or micro data. In addition, I do conduct sensitivity checks — for instance, by estimating the empirical model under different assumptions — which at least *reduces* the fear of a high level of model dependence.

The second problem I discuss here is that of few macro units. Few macro units create problems for those who are first and foremost interested in comparative data to test theoretical claims. While the problems related to the data generating process can potentially be solved, the problem of few macro units is more fundamental because the number of macro units is rather fixed when one is interested in testing theories that apply to the OECD area. Franzese (2007) treats the problem of few macro units as a tradeoff between “observing more pieces of information more cursorily and fewer pieces of information more fully and accurately” (p. 32). Given that there exists only 30 OECD countries, one will still have fairly few macro units even if one has data from them all. In other words, observing less countries more fully might seem like a better approach. However, although qualitative studies are useful — for instance, to trace policy processes — it is less useful to test general theoretical arguments (e.g. Franzese, 2007, 36).

The ability of quantitative research to test general theoretical arguments in small-N data sets is further complicated by the fact that competing theories are many and sometimes overlapping. For instance, it is difficult to distinguish the effect of electoral system from the effect of centralized wage bargaining because countries with majoritarian electoral systems tend to have decentralized

dissertation) show that electoral system (which is the most important determinant of electoral disproportionality) is strongly related to redistribution. According to Iversen and Soskice (2006), the effect of electoral system on redistribution is not driven by its relationship to voter turnout, i.e. the exclusion restriction is violated in Mahler (2008).

wage bargaining as well. This implies that there are no observed counterfactuals in the data to draw causal inferences from. King and Zeng (2007) present statistical software to determine how reasonable the counterfactuals of the estimated models are; unfortunately, this software is only able to handle dichotomous “treatment” variables, while the independent variables of main interest in my macro-comparative analyzes are continuous. In addition to the problem of identifying important causal effects, it can also be the case that several causes operate simultaneously in the same context, or that some causes might operate only in more specific contexts. Franzese (2007) labels these challenges “multi-causality” and “context-conditionality”, both of which are amplified in a small-N setting (Shalev, 2007, 264).

A radical solution to the small-N challenge is to abandon multiple regression analysis. A widely used alternative is Qualitative Comparative Analysis (QCA) (see Robinson and Ragin, 2007). The goal of QCA is to “formalize the logic of comparative analysis, as practiced by case-oriented researchers” (Robinson and Ragin, 2007, 380). They do this by generating a data set called a truth table in which each line in the table constitutes a “logically possible causal condition” (Robinson and Ragin, 2007, 380) and the value on the dependent variable. By examining the truth table, the researcher can establish (in the QCA language) “necessary” and “sufficient” conditions for any particular outcome. Vis (2009) is a recent example of comparative welfare state analysis using QCA. Robinson and Ragin (2007) present QCA as an ideal method to deal with the small-N challenges of macro-comparative social science. I am not convinced, however, in particular due to the deterministic flavor of the QCA approach (Liebersohn, 2004).¹⁰ As an example, Vis (2009) finds that there are two pathways to welfare retrenchment: a weak socio-economic position together with a weak government or a rightist government. A probit regression would instead give us estimates (with accompanying uncertainty) of how the probability of retrenchment would differ under these different conditions. There are no similar measures of magnitude or uncertainty in QCA. Seawright (2005) shows how QCA fares worse than regression on other accounts as well.

I believe that the solution we are left with (in addition to developing better theories) is to rely more heavily on theory when setting up the empirical model (Franzese, 2007, 44). In general, this is a call for fewer control variables rather

¹⁰See also King, Keohane and Verba (1994, 87-89)

than more. Achen (2002) represents the most radical view in this respect, as he proposes the “rule of three”: if the field of research is not well-developed theoretically, the empirical analysis should not include more than three independent variables. He recommends this to ensure that the analysis is sufficiently close to the actual data; moreover, the sample should be restricted to “a meaningful sample with a unified causal structure” (p. 446). I find the latter suggestion problematic, particularly in research when the sample is already restricted to the OECD area, and a general rule of including only three variables seems too radical. I do, however, support the call for parsimony when setting up an empirical model. As Franzese (2007) points out, the problem of omitted variables are clearly understood within the discipline, while the included variable bias is perhaps less recognized.¹¹ By including every potential determinant of Y found in the literature without carefully thinking about the relationship between the control variables and the independent variable of interest, one might control for factors that are themselves influenced by the independent variable of interest. The consequence is that one do not get the actual effect of the variable of interest. I have tried to strike a balance between the omitted variable bias and the included variable bias in this dissertation without following a rigid rule as the one proposed by Achen (2002).

5 The papers

This section presents the four essays and describes in more depth how they contribute to the existing literature. Paper I is published as Finseraas (2009a), Paper II as Finseraas (2008), Paper III as Finseraas (2009b), while Paper IV is unpublished.

5.1 Paper I: Income Inequality and Demand for Redistribution

This paper studies the public demand for redistribution in a comparative perspective. Traditional median voter models of redistribution argue that the amount of redistribution is determined by the market distribution of income: the poorer the median voter (compared to the average income), the higher

¹¹Przeworski (2007) labels the included variable bias as the “post-treatment bias”.

the demand for redistribution, and purely opportunistic politicians implement the amount of redistribution demanded by the median voter (e.g. Meltzer and Richard, 1981). Previous empirical research has mainly been concerned with the reduced-form implications of the Meltzer-Richard logic. These studies seriously question whether inequality drives redistribution in the way the Meltzer-Richard model proposes (Perotti, 1996; Moene and Wallerstein, 2001). My paper is part of a small, but growing empirical literature which instead examines how inequality affects political preferences (Lübker, 2007; McCall and Kenworthy, 2008). More specifically, the paper explores whether the demand for redistribution is larger in countries with an unequal distribution of income, and whether inequality affects voters' preference for redistribution differently depending on their location in the income distribution. Although motivated by the Meltzer-Richard logic, the paper cannot claim to do a direct test of the Meltzer-Richard model, mainly due to data issues that are extensively discussed in the paper.¹²

With regard to the existing comparative literature on redistribution, the main contribution of the paper is to explore the micro-level logic of the influential Meltzer-Richard model. The weak relationship between inequality and redistribution found in macro-level studies will appear less as a puzzle if voters discard the actual level of inequality when expressing their preference for redistribution. The paper discusses theoretical reasons for why voters might discard the actual level of redistribution, and discusses the few existing studies of public opinion data which suggests that inequality does not matter for support for redistribution.

The paper establishes that the demand for redistribution is higher in the more unequal European countries. Moreover, the results show that inequality mainly influences the demand for redistribution among the relatively rich. A higher probability of expressing redistribution support among middle-income voters when inequality is high is in accordance with the Meltzer-Richard logic. However, a higher probability of expressing support for redistribution among the rich is not in accordance with theories which assume purely self-interested voters, at least not as long as there is no credible threat of violent upheaval due to high levels of inequality. Thus, from that perspective, this finding appears

¹²These data issues are relevant also for previous public opinion studies of inequality and redistribution support that are motivated by the Meltzer-Richard model. Furthermore, some of these objections can also be raised against some of the macro-level studies of inequality and redistribution (e.g. Perotti, 1996)

as a somewhat unexplained puzzle in the paper, and I will take the opportunity here to speculate further on why the relatively rich in unequal countries are more likely to support redistribution. One simple explanation is to consider social preferences, i.e. voters have a general aversion against inequality: if the actual level of inequality is sufficiently high, the inequality aversion kicks in and weakens the negative relationship between income and preference for redistribution. In Kristov, Lindert and McClelland (1992), rich voters care about the distance between themselves and the middle class and their model predicts more redistribution when the gap between the rich and the middle class increases. Previous research, including this thesis, has been predominantly concerned with under what conditions *poor* people do not vote according to their own economic interest, while the other side of the coin, i.e. under what conditions *rich* people support policies that apparently run counter to their own economic interests, has been left largely unexplored. This paper suggests that future research might benefit from such an exploration.

The fact that demand for more redistribution is higher in the more unequal European countries makes it tempting to expect a convergence in levels of income inequality. However, the cross-country variation in demand for redistribution in 2002 is remarkably similar to the variation reported in Inglehart (1990) for the mid-80s. I therefore conclude, in line with Myles (2006), and in contrast to Brooks and Manza (2006), that traditional welfare state research has correctly favoured institutional differences over directly observable public opinion differences to explain cross-national variation in the degree of redistribution. Note that this is not in conflict with the general spirit of this dissertation, that combining data from the two levels is useful, it simply questions Brooks and Manza's notion that public opinion is an "omitted variable" in macro-oriented research.

5.2 Paper II: Immigration and Preferences for Redistribution

While the alleged importance of ethnic heterogeneity for the development of the welfare state is an old issue, it has re-emerged onto the research agenda due to a significant increase in low-skilled immigration into Europe over the past three decades. Some scholars fear that a higher degree of ethnic heterogeneity in Europe will undermine the public's support for redistribution, because voters from

the majority group will not redistribute towards a poor minority group. This has been labeled an anti-solidarity effect. While it has been firmly established that anti-solidarity towards minority groups is important for welfare state preferences in the US, few empirical studies of European data existed when I started working on this topic.¹³ This paper explores the importance of anti-solidarity towards immigrants for redistribution support in Europe. Moreover, largely drawing on the Esping-Andersen (1990) distinction between status-preserving and universalist welfare arrangements, I explore whether the anti-solidarity effect is larger in countries within the Social Democratic welfare regime type. This might be expected, given a stronger redistributive element inherent in their welfare state institutions.

This paper contributes to the existing knowledge partly because we do not know much about the relationship between attitudes toward immigrants and beliefs about immigration on the one hand and welfare state support on the other. However, the paper's main theoretical contribution is to distinguish the culturally based anti-solidarity hypothesis from a self-interest-based compensation hypothesis. Drawing on the literature on risk of income loss and support for redistribution (Cusack, Iversen and Rehm, 2006), I hypothesize that those who perceive immigration as a potential source of future income loss should be more likely to support redistribution. Voters want more redistribution to be compensated for the perceived economic threat from immigration.

The paper finds some support for both hypotheses, even when included together. In other words, sweeping generalizations about a general effect of immigration on redistribution support appear unwarranted. There also appears to be some variation in the strength of relationships depending on existing welfare state regime type in the expected direction. The anti-solidarity effect is stronger in countries with universalist welfare state regime characteristics, while the compensation effect is stronger in countries with status-preserving welfare state regime characteristics. However, these differences should not be overstated, as the general impression is that the effects are small. Recent research concludes in similar fashion (Senik, Stichnoth and Van der Straeten, 2009).

I take the opportunity to mention additional work on this topic that I have conducted together with Kåre Vernby, where we analyze the relationship be-

¹³However, there is now a growing literature (Senik, Stichnoth and Van der Straeten, 2009; Amable, 2009).

tween xenophobic attitudes and Left voting (Vernby and Finseraas, 2009). In line with conclusions in this dissertation, we establish that anti-solidarity effects on Left voting is small in a sample of OECD countries with two-party/two-bloc political systems. Our analysis reveals, however, that the policy bundle effect — which concerns to what degree voters are forced to choose between their redistribution preference and their views on immigrants at the ballot box — is of non-negligible importance in several countries. Thus, the findings in that paper moderate the upbeat conclusion of this essay with regard to the potential effect of immigration on redistributive policies. Clearly, more research is needed to establish whether immigration challenges the universalist welfare state via other channels than the effect of pure anti-solidarity towards immigrants on preferences for redistribution.

5.3 Paper III: What If Robin Hood is a Social Conservative?

This paper analyzes how party competition on a non-economic dimension affects how governments respond to increasing inequality. More specifically, the paper argues that a high degree of party polarization on a non-economic dimension weakens the importance of position in the income distribution for political preferences: because voters care about both economic and non-economic issues, party polarization on a non-economic dimension weakens the traditional relationship between income and political orientation. I argue furthermore that a weaker relationship between income and political preferences implies that politicians' response to an increase in inequality is weaker. Because non-economic party competition can be seen as a wedge issue that splits pro-redistributive coalitions, politicians in countries with a high level of non-economic party polarization face a smaller “effective” demand for redistribution, which dampens the political response to increases in inequality. In other words, some of the variation in the degree to which countries respond to increases in inequality can be explained by the degree of non-economic party polarization.

The paper tests this somewhat Marxist-inspired “distraction” argument using data from three comparative data sources: party positions on what I label a moral dimension of politics are derived from the Comparative Manifesto Project, data on voters' political orientations are derived from the World Values Survey, while data on the degree of redistribution are derived from the Luxembourg

Income Study. The empirical analysis demonstrates support for the arguments: the relationship between income and political preference is weaker when polarization on the non-economic dimension is high, and the positive effect of an increase in inequality on the amount of redistribution is weaker when polarization is high.

This paper contributes to the, as far as I know, non-existent comparative, empirical literature on the importance of non-economic political competition for changes in actual levels of redistribution. Such a comparative, empirical analysis is important given the recent emphasis on the potential detrimental effects of non-economic issue competition for redistribution, exemplified by Alesina and Glaeser's (2004) book on xenophobia and redistribution. As the reference to Marx makes clear, the Alesina-Glaeser logic is not new, it simply points towards a new non-economic issue that might replace the historically more important moral dimension. Roemer (1998) prefer to label this dimension religious, signalling an even closer relationship to the classic Marxist argument.

I believe that this paper demonstrates the utility of combining insights from the public opinion/political behaviour literature and the comparative political economy literature. The main advantage is that assumptions about political behaviour (non-economic party polarization weakens the relationship between own income and political preferences) can be tested empirically and thus strengthen a causal argument at the macro level (non-economic party polarization weakens the redistributive response to increases in inequality).

5.4 Paper IV: What Parties Are and What Parties Do: Partisanship and Welfare State Reform in an Era of Austerity

The final paper addresses the continuing debate about whether partisanship still matters for welfare state policies. The paper is clearly related to Paper III, but the emphasis is shifted from how non-economic party competition shapes the response to increases in inequality to how economic party competition conditions the effect of who governs.

The paper argues that the existing literature on the issue of the role of partisanship for welfare state development can be brought forward by exploring how the effect of partisanship depends on the degree of party polarization over the

issue of redistribution. Using Paul Pierson’s (1994; 1996; 1998) new politics of the welfare state and Korpi and Palme’s (2003) power resource perspective as opposing views on the role of partisanship in the “current era of austerity”, the paper argues that disagreement can be summarized in terms of 1) the degree of party polarization, 2) whether party polarization over redistributive issues still mobilises voters around their economic interest, and 3) whether party polarization still matters for welfare state policies. By analyzing each of these issues we are able to examine important assumptions of the two perspectives and push the debate forward as to whether politics matter.

Pierson argues that political parties know that retaining the status quo is so important to voters that cost-containing reforms will not be implemented. It is well-known from theoretical models in political economy that if politicians are highly informed about voter preferences on specific issues, they are unlikely to take very different positions, even if they care about policy outcomes (see Persson and Tabellini, 2000, chapter 5). We should therefore expect declining ideological polarization. However, the data we present shows that there is no trend of declining party polarization.

Next, the power resource perspective argues that partisan effects on policy are due to parties representing different segments of the electorate: for instance, Left parties mobilize low-income voters. While historically accurate, scholars disagree as to what degree voters are still mobilised around their position in the income distribution. Following, for instance, Przeworski and Sprague (1986), the degree of class voting is likely to depend on party strategies. In the same spirit, Korpi (1983, 2325) acknowledges the possibility of “goal-displacement” within the Left political parties. Consistent with this understanding of party-voter-linkages, we find that low-income voters are more likely to vote Left when party polarization on a redistributive dimension of politics is high.

Finally, we explore the issue that previous research has mainly been pre-occupied with, i.e. whether parties are able to make their ideology count in the post-electoral arena. By introducing the degree of party polarization as an intervening variable, we are able to distinguish between governments where partisanship is likely to be of less importance and governments where partisanship should matter a lot. We establish that partisanship matters, given a sufficient degree of polarization. We show that this finding is robust to a range of different model specifications, and conclude that partisan theory of the welfare state is

alive and well.

I believe that the paper shows how a more dynamic approach to the role of partisanship, where we take into account the fact that the relative distance between political blocs varies over time, is fruitful. While the first generations of macro-oriented research on welfare state development followed a somewhat static approach, with the welfare state a response to structural change or shaped by cross-national variations in more or less time-invariant institutional or “partisan hegemony” characteristics, current research is more concerned with how the effects of partisanship and institutions are conditioned by time-varying factors (see e.g. Cusack, Iversen and Rehm, 2006; Amable, Gatti and Schumacher, 2006).

6 Conclusion

To sum up this introduction I will spell out some overall conclusions from the papers. Papers I and II clearly show how voters’ preferences for redistribution are still informed by what has historically been an important, if not the most important, cleavage: the voter’s economic situation. While Paper II shows how the emerging cleavage based on views of immigrants has a complex relationship with support for redistribution, and is (at least weakly) affected by the existing welfare state set-up, Paper I unambiguously shows how the current distribution of income strongly conditions the conflict over redistribution. Thus, preferences for redistribution seems to be more driven by old cleavages than increasing ethnic diversity.

However, these findings do not imply that non-economic cleavages are unimportant for the politics of redistribution. As shown in Paper III, the strength of interest-induced preferences for voters’ general political orientation depends on to what degree the political parties compete on a non-economic dimension, which in turn has consequences for how governments respond to increases in inequality. In a similar manner, Paper IV shows how the importance of interest-induced preferences for voter behaviour depends on the degree of competition within the redistributive dimension of politics. Thus, the dissertation finds support for the claim that socio-economic position is still important for redistributive preferences and political behavior, and that cross-national variation in the importance of socio-economic position depends on the characteristics of

political competition.

At a general level, the papers find support for the micro-foundations of power resource theory. I believe that the finding in Paper I, that the demand for more redistribution is larger in more unequal countries and appears to have been so for a long time, together with the fact that we have not observed a convergence in levels of inequality, illustrates how important it is that the redistributive dimension is mobilized. If it is not, the gap between demand and supply of redistribution will not be closed. Moreover, results in Paper II suggest that immigration, typically perceived as introducing a competing policy dimension to the socio-economic cleavage, do not (yet) have the detrimental effect on preferences for redistribution that some have proposed. This seems to be at least partly because the influx of immigrants increases the vulnerability of some groups in the electorate, and this group seems to respond in a manner consistent with power resource theory. This finding, however, does not rule out the possibility that xenophobia affects voters' party choice in a manner that is detrimental to electoral support for the Left. Although the findings in Paper III cannot be considered as support for such an argument, the logic spelled out in the paper shows how xenophobia might have a negative effect on the degree of redistribution.

Taken together, the papers suggest that the importance of class-competing dimensions for redistribution policy depends more on whether political parties compete along such dimensions than on their direct effect on voter preferences for redistribution. Somewhat ironically, given the strong support for power resource theory, the results therefore support Paul Pierson's plea for a stronger emphasis on party strategies and the pattern of political competition in understanding cross-national variations in the political response to the need for welfare state restructuring.

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Chapter 2:

Income Inequality and Demand for Redistribution: A Multilevel Analysis of European Public Opinion

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Income Inequality and Demand for Redistribution: A Multilevel Analysis of European Public Opinion

Henning Finseraas*

This article employs multilevel modeling to assess the importance of income inequality on the demand for redistribution in a sample of 22 European countries. According to standard political economy models of redistribution – notably the Meltzer-Richard model – inequality and demand for redistribution should be positively linked. However, existing empirical research has disputed this claim. The main advantages of this article is that demand for redistribution is measured at the individual level, and that the relevant interaction between inequality and own income is considered. The main findings are that inequality is positively associated with demand for redistribution, and that the median income person is sensitive to the level of inequality. These findings are robust to the inclusion of a range of relevant control variables. The results are relevant in relation to the increase in inequalities in many European countries, and especially relevant to the current debate about the importance of directly observable differences in public preferences for social policy outcomes.

Introduction

Income inequality has increased across Western Europe the last decades (Kenworthy & Pontusson 2005). According to standard political economy models of redistribution (e.g. Meltzer & Richard 1981), an increase in inequality should lead to higher public demand for redistribution and, ultimately, more redistribution. However, a number of recent papers (e.g. Bradley et al. 2003; Iversen & Soskice 2006; Moene & Wallerstein 2001, 2003) question this relationship by showing that there is a negative correlation between pre-transfer inequality and redistribution – that is, advanced industrialized countries with a comparatively high level of pre-transfer inequality spend less on welfare and redistribute less than countries with a low level of pre-transfer inequality. This negative relationship has been characterized as ‘an important unsolved puzzle for comparative political economy’ (Iversen 2005, 85).

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The studies cited above effectively show that pre-transfer inequality is not important for redistribution in OECD countries, arguing that institutional differences (e.g. electoral system, wage bargaining, vocational training systems, the degree of targeting of spending towards those not working) are more important. This article returns to preferences and explores how people's preference for redistribution – the demand for redistribution – is related to inequality. The empirical answer to this question has important theoretical implications. According to Meltzer-Richard (M-R), we should find a positive effect of inequality on the demand for redistribution, and it is common to simply assume that this is the case (e.g. Cusack et al. 2006). However, if inequality and demand for redistribution are not positively linked, there is no support for the M-R model either at the micro-level or in its reduced form (as in macro-level studies). In this case, the macro-level findings are less of a puzzle. If demand for redistribution is positively related to inequality, such a finding suggests that how people's preferences are transformed into policy is more important than directly observable differences in public preferences, thereby questioning Brooks and Manza's (2006a, 2006b) claim of a direct impact of public opinion on actual policy (see also Myles 2006).

Although there are few attempts to study the link between inequality and demand for redistribution, two recent papers explore this relationship from a theoretical perspective similar to that of this article. Kenworthy and McCall (forthcoming) find that the demand for redistribution does not change with changes in inequality, while Lübker (2007) finds no relationship between the level of inequality and aggregate support for redistribution. This article has at least three advantages compared to these two studies. First, demand for redistribution is measured at the appropriate individual level rather than in aggregated form. By employing multilevel modeling, we retain the amount of information in the data and identify the amount of variation in demand for redistribution that is truly cross-sectional (between countries). Second, in a cross-country setting, the M-R model predicts that the effect of own income on preference for redistribution depends on the level of inequality. Preference for redistribution is assumed to decline with income, but the median income person is expected to be more in favor of redistribution the higher the level of inequality. Previous studies have not considered this interaction. Third, this article examines a range of country-level variables apart from inequality that we have theoretical reasons to believe influence the demand for redistribution. Variables derived from three different theoretical perspectives will be examined: the importance of economic openness (Rodrik 1998); the importance of beliefs about social mobility (Piketty 1995); and the importance of fractionalization (Alesina et al. 2001; Alesina & Glaeser 2004).

To be specific, this article explores the effect of the GINI-level in 2001 on citizens' preference for income-leveling in 2002, controlling for relevant

individual- and country-level variables. Individual-level data is from the European Social Survey and covers 22 countries (see Appendix). Unfortunately, income inequality is based on disposable income rather than income before taxes and transfers because pre-transfer data for 2001 (or reasonably close to 2001) is not available for most of the countries in the sample. We need to keep this violation of the M–R model in mind: because the M–R model refers to pre-transfer inequalities, this article cannot claim to do a strict test of the M–R logic. On the positive side, post-transfer inequalities are what people observe in their daily lives and thus might be most relevant for their preference for redistribution. Models are estimated with Reiterated Generalized Least Squares (RIGLS) and Markov Chain Monte Carlo (MCMC) simulation techniques as they are implemented in the MLwiN software (Browne 2004; Rasbash et al. 2004).

The empirical analysis supports the following claims. First, in accordance with the M–R model, the demand for redistribution decreases with income. Second, also in line with the M–R model, the median voter's preferred level of redistribution increases with the level of inequality. And third, the level of religious fractionalization is negatively related to the probability of supporting redistribution. I do not find empirical support for the other theoretical arguments discussed.

The rest of this article is structured as follows. The next section presents theoretical perspectives on the relationship between income inequality and redistribution support. Then the data and method are presented followed by the empirical results. The final section is the conclusion.

Support for Redistribution: Theoretical Perspectives

This section presents theoretical models of the relationship between income inequality and demand for redistribution, beginning with the influential M–R model of government spending. This section also reviews the empirical literature on inequality and support for redistribution.

The Meltzer-Richard Model

The Meltzer and Richard (1981) model is a classical political economy model aiming to explain the relationship between inequality and redistribution. It shows – under the simplifying assumptions of majority rule, universal suffrage and a linear tax rate – how redistribution depend on the relation between mean income and the income of the decisive voter (the median voter).¹ The distribution of income is skewed to the right in all advanced industrialized countries, implying that the income of the median voter is below mean

income. In this case, the median voter will increase his or her marginal utility if the government undertakes more redistribution. In simple models of redistribution, the median voter wants to redistribute income perfectly, to close the gap between median income and mean income. However, Meltzer and Richard (1981, 920) assume that voters are aware of the disincentive effects created by redistribution (e.g. lower labor supply),² so that redistribution will not be perfect. In reasonably responsive democracies, the preferred equilibrium level of redistribution will occur, and if the distribution of income is changed, the preferred level of redistribution will also change. In a cross-country setting, if two countries differ only in the degree of inequality, the demand for redistribution will be higher in the country with the highest level of inequality (Alesina & Rodrik 1994; Pontusson & Rueda 2006).

In sum, the reasoning of the model proceeds in two steps. First, level of income inequality determines the demand for redistribution. Second, the demand for redistribution determines the actual level of redistribution. Typically, the M–R argument has been empirically tested in reduced form, using macro-data in pooled time-series cross-sectional studies with level of pre-transfer inequality as the independent variable, and social spending or redistribution efforts as the dependent variable (Iversen & Soskice 2006; Moene & Wallerstein 2001, 2003). Thus, as pointed out by Lübker (2007), the first step of the argument – inequality determines the demand for redistribution – is simply taken for granted.

This article is concerned with the first chain of the argument – that is, whether inequality drives the demand for redistribution – which is of critical importance in understanding why the M–R model's predictions lack empirical support in cross-country studies of actual redistribution. However, it is also relevant to the sociologically oriented literature on redistribution. Inglehart (1990), for instance, proposes that the marginal utility from redistribution is decreasing, implying that demand for redistribution will decrease as equality increases.

Alternative Models of Inequality and Redistribution Support

The lack of cross-national empirical support for the M–R model has led to the development of alternative models where it is acknowledged that the welfare state is not only about redistribution, but also about social insurance. According to Iversen (2005, 21ff), even redistribution of income has an insurance aspect, which is likely to be important for individuals' preference for redistribution. The work of Iversen and associates is different from Meltzer and Richard's because it emphasizes the distribution of risk and skills for level of redistribution, rather than the distribution of income. However, similar to the M–R model, Cusack et al. (2006, 376) explicitly state that they believe that rising inequality will increase the demand for redistribution.

While Iversen and associates assume a positive association between inequality and redistribution demand, Moene and Wallerstein (2001, 2003) have proposed a more complex model of inequality and the demand for welfare spending. In their model, total spending has a V-shaped association with equality – that is, spending increases with inequality when level of inequality is sufficiently high, but decreases with inequality when level of inequality is sufficiently low (see also Benabou 2000). This is because total welfare spending has an insurance aspect, and if insurance is a normal good (demand for it increases with income), then the insurance effect will dominate the redistribution effect when inequality is sufficiently low. However, Franzese and Hays (forthcoming) point out that if an increase in inequality is due to an increase in average income rather than a fall in median income (the latter is assumed in Moene and Wallerstein's model), then the demand for welfare spending will increase with inequality even in the Moene and Wallerstein model. Recent studies of inequality trends show that the rise in top incomes accounts for most of the observed increases in inequality among OECD countries (Scheve & Stasavage 2007, 6).

Previous Empirical Studies of Inequality and Redistribution Support

There are few comparative studies of redistribution demand relative to studies of redistribution. Aalberg (2003) uses aggregated opinion data in her study of support for egalitarian policies in 12 countries, finding that public support tends to increase in times of increasing inequality. However, Kenworthy and McCall's (forthcoming) study of eight OECD countries does not support her findings. Roller (1995), in line with Meltzer and Richard, finds a weak positive association between inequality and support towards egalitarian policy among seven European countries in the 1980s, but not in the 1970s. Bowles and Gintis (2000) show that the empirical relationship between aggregated support for an additive index of welfare state policies and the GINI-coefficient is negative among eight OECD countries. Finally, Lübker (2007) finds an insignificant effect of GINI-level on aggregated support for redistribution in a sample of 26 countries. This study is an important addition to the existing literature as it directly models the effect of inequality on preference for redistribution without aggregating data, and because it can consider the theoretically important interaction with own income.

Data and Method

This section presents the operationalization of the theoretical variables, control variables, data sources and estimation methods. The individual-level data come from the European Social Survey (ESS), round 1, conducted in

2002. The country-level data sources will appear in the text. Descriptive statistics are reported in the Appendix.

Dependent Variable

The question of whether '*the government should take measures to reduce differences in income levels*' is used for measuring preference for redistribution. This question is used as the dependent variable in the most recent studies of redistribution support (Cusack et al. 2006; Jæger 2006). The variable is an ordered categorical variable where the respondents have six choices: 'agree strongly', 'agree', 'neither agree nor disagree', 'disagree', 'disagree strongly' and 'don't know'. In the pooled sample, 25 percent 'agree strongly', 45 percent 'agree', 13 percent is 'indifferent', 13 percent 'disagree', while only 3 percent 'disagree strongly'. This distribution varies significantly among the countries in my sample.

Although all survey questions will capture elements of attitude both towards policy and the ideal state (see Aalberg (2003) for a discussion), the question used here is closer to the policy end of the spectrum. Using a policy-oriented question rather than a question about the ideal state is preferable when testing rational choice arguments because perceptions of ideal states often play a limited role in such arguments (see Saglie (1996) for a discussion). The M-R model says that the median voter will demand more redistribution in unequal countries compared to equal countries, but it does not say anything about how inequality affects the median voter's perception of, say, the balance between equality and freedom. Nonetheless, I briefly address this issue in the empirical part.

Independent Variables

The empirical model includes the following independent variables.

Gender (1 = female) is included, as previous research has shown females to be more supportive of redistribution than men (Blekesaune & Quadagno 2003; Cusack et al. 2006; Iversen & Soskice 2001; Linos & West 2003; Rehm 2005; Svallfors 1997; Aalberg 2003), perhaps due to the disadvantaged position of women in the labor market.

Level of *education*, a variable ranging from 0 to 6, is included as a proxy for risk of income loss, shown to be associated with redistribution support (Cusack et al. 2006; Iversen & Soskice 2001). Typically, people with a high level of education have more marketable skills, thus, the probability of income loss due to unemployment is lower. Previous empirical studies find level of education to be negatively related to redistribution support (see citations in preceding paragraph).

I also include *age* (in years) and its square term. Following the risk logic, older people might be more likely to support redistribution because they are

disadvantaged in the labor market. According to Inglehart (1990), older people support redistribution because growing up in a more insecure era makes people more inclined to support materialist issues. Empirical research (see citations above) typically finds a positive effect of age on preference for redistribution.

Although using personal income data to capture the effect of *income* is preferable, ESS unfortunately does not contain such information, but reports income at household level (12 categories: 1 = low, 12 = high). The crude measure of income might be problematic with regard to comparability across countries as heterogeneity with regard to socioeconomic situation within the same income category can differ across countries. Clearly, this problem cannot be fully accounted for without access to raw data; nevertheless, I recoded the income data in two alternative ways to approach this issue. First, I centered income on the mean income of the particular country (within-group centering), and second, I dummy-coded the income variable so that those with income one standard deviation below the country mean were assigned the score of 1. The results are similar to those obtained when using the original income categories (not shown), thus I rely on the original 1 to 12 category measure of income. The number of people belonging to the household is included to control for *household size*.

Furthermore, a dummy variable measuring whether the respondent is in *paid work* and a dummy variable capturing whether the respondent is a *member of a trade union* are included. Trade union members have been found to be more in favor of redistribution, perhaps because union membership is a signal of individual or sector vulnerability (Cusack et al. 2006).

View on immigrants is accounted for by the respondent's answer to the question of whether they believe immigrants take more out in taxes and services than they put in (0 = 'generally takes out more', while 10 = 'generally put in more'). This variable is relevant if European welfare opinions are being 'Americanized' due to immigration (e.g. Alesina & Glaeser 2004).

In addition, *religious attendance* (apart from religious ceremonies), ranging from 1 (every day) to 7 (never), is included to test Scheve and Stasavage's (2006) argument that religious beliefs function as a substitute for government social spending. They find empirical evidence that people who report a high level of religious attendance tend to prefer less social spending.

Contrary to many studies of preference for redistribution, this article does not include any variables that directly capture left-right position. A large literature exists on the importance of self-identification with the left as a driving force behind support for redistribution. Although I do not dismiss the existence of a strong correlation between leftist orientation and preference for redistribution, I do not want to include any such variables because of possible endogeneity problems. I find it more likely that preference for redistribution determines leftist orientation – preference for redistribution

is an important determinant of voting pattern (Cusack et al. 2006) – than the other way around. Similar, albeit weaker, concerns can be raised with regard to the inclusion of the dummy for trade union membership and the ‘view on immigrants’ variable. However, the conclusions with regard to the relationship between income, inequality and preference for redistribution are not affected by the inclusion or exclusion of these variables.

Income inequality is measured by the GINI-coefficient. If the GINI-coefficient is equal to 0, all households in society have an equal share of income, while if one household has all the income, the GINI-coefficient will be 100. The *GINI-level* in 2000/2001 is expected to be positively associated with redistribution demand in 2002. The income inequality data come from the Luxembourg Income Study (LIS).³ Unfortunately, the LIS data do not cover all the countries in my sample, so I have to supplement it with data from the World Income Inequality Database, Version 2.0a (WIID) (WIDER 2005).⁴ One obvious shortcoming with the data used here is that while the M–R model refers to ‘pre-transfer inequality’, this article has to rely on the GINI-coefficients based on disposable income because pre-transfer inequality data close to the time of the survey exist for only nine of the countries in my sample. However, Appendix Figure 1 shows that for these nine countries there is a clear positive relationship between pre-transfer inequality and disposable inequality in the period 1979–2000, which suggest that using post-transfer data might not be too problematic. Furthermore, Appendix Figure 2 shows that there appears to be a positive relationship between pre-tax and transfer inequality and demand for redistribution ($N = 9$), although the United Kingdom observation clearly distorts this picture. Nonetheless, post-transfer inequalities are what people observe in their daily lives and thus might be most relevant for their preference for redistribution.

The discussion so far focuses solely on the relationship between inequality and demand for redistribution. However, to assess the importance of inequality for individuals’ preference for redistribution, one must also evaluate whether the assumed effect is robust to other country-level characteristics assumed to influence preference for redistribution. The following paragraphs concentrate on this topic. Note that I do not claim to cover all relevant perspectives, but emphasize political economy explanations that typically are being discussed in relation to the M–R model (see, e.g. the discussions in Alesina & Glaeser 2004).

Perhaps the most notable perspective that I do not discuss is the importance of existing welfare state institutions for redistribution support. There is a rich literature on welfare state regime effects on public preferences (see review in Albrekt Larsen 2006), building on Esping-Andersen’s (1990) seminal work, testing the argument that welfare state regime types breed support for their own underlying logic. Albrekt Larsen (2006, 23) argues, however, that regime effects on attitudes are most likely with regard to how welfare recipients

are perceived, and not with regard to policy attitudes. Jæger's (2006) extensive test of the regime hypothesis finds no consistent effect of regime type on demand for redistribution. Moreover, Kumlin and Svallfors (forthcoming) find, contrary to the regime hypothesis, that the middle class in Scandinavian countries is less supportive of redistribution than the middle class in more unequal countries. Nonetheless, one should not expect a positive link between inequality and the demand for redistribution if the regime hypothesis is true, given that (a) the social democratic regime types emphasize equality in outcome, and (b) the welfare states that most closely resemble the social democratic type, the Nordic welfare states, have achieved the highest level of equality.

A country's degree of openness to trade has figured as an important explanation for welfare state size (Garrett 1998; Rodrik 1998). This 'compensation hypothesis' says that the demand for welfare state programs will be higher in countries that are more open to trade because the domestic labor market is more vulnerable to turbulence in the world markets (external risk). This vulnerability means that households are subject to a higher level of risk of income loss, and the demand for welfare is likewise higher to compensate for the higher risk level. Note, however, that Rehm (2005) does not find that people in sectors subjected to trade are more in favor of redistribution than others. I include *trade openness (ln)*, measured by export and import as a percentage of GDP (using constant prices), to explore whether risk associated with trade openness drives redistribution demand.

Citizens' beliefs about social rigidities have been suggested as an important variable for explaining cross-country differences in the level of redistribution (Lipset & Bendix 1959; Piketty 1995). Piketty (1995) argues that our beliefs about the role of effort and the incentive effects of redistribution are learned, and thus may or may not reflect true social mobility rates. In the long run, 'left-wing dynasties' and 'right-wing dynasties' of beliefs about social mobility develop, thereby accounting for cross-country differences in redistribution (Piketty 1995, 554). Alesina and Glaeser (2004) and Alesina et al. (2001) present World Values Survey data to validate how subjective mobility rates might play an important role in explaining cross-country differences in welfare state arrangements.

The importance of *beliefs about social mobility* is measured by the country mean score of the question of to what degree the respondents feel that they themselves can control their own lives.⁵ This variable is from the World Values Survey.⁶ This variable is not a perfect measure of beliefs about social mobility. However, the country mean score of this variable is clearly correlated with the country mean score of the International Social Survey Program's (Social Inequality III) question of how important it is to come from a wealthy family in order to get ahead. ISSP covers only 13 of the countries in my sample; thus, I rely on the question from WVS to be able to retain as many countries as possible in the analysis.

Different types of fractionalization of the population have been proposed as important for welfare state size and redistribution preferences. Fractionalization might undermine the possibility of establishing strong trade unions (Stephens 1979) and group solidarity among the poor and the working class (Banting 2000). According to the power resource perspective (e.g. Korpi & Palme 2003), the strength of the organized working class is decisive for welfare and redistribution outcomes, and fractionalization can therefore indirectly slow down welfare state development.

Alesina and Glaeser (2004, 135ff) propose two possible explanations for the importance of heterogeneity for people's opinions about welfare. First, people are more likely to be altruistic towards those who resemble themselves. Second, and the explanation that Alesina and Glaeser favor, politicians are more likely to gain popular support with a strategy involving hatred based on divisions in a society that is fractionalized. Alesina and Glaeser believe that immigration into Europe has led European politicians to use such strategies. Apart from ethnic fractionalization, there is also a growing literature on the importance of religion for welfare-related preferences (Roemer 1998; Scheve & Stasavage 2006).

Alesina et al. (2003) have created three *fractionalization* indices (ethnic, linguistic and religious) that are available for all countries in my sample.⁷ The fractionalization score gives the probability that two people randomly drawn from the population are from different ethnic/linguistic/religious groups.

Finally, I examine whether the effect of inequality is spurious to the effect of (*ln*) *GDP per capita* (Heston et al. 2002).

Method

Multilevel, ordered multinomial models are estimated⁸ since the dependent variable is categorical by construction. Given the ordering of the categories, the model is based on the cumulative response probabilities rather than on the response probabilities for each separate category – that is, a proportional odds/cumulative logit model (see Rasbash et al. 2004, Chapter 11). The 'disagree strongly' and 'disagree' categories are collapsed because only 3 percent of the respondents 'disagree strongly' with the statement. This collapsed 'disagree' category is used as the reference category. As for interpretation, a positive coefficient tells us that a high number on that particular variable is associated with a higher probability that the respondent belongs to any of the categories above the 'disagree/disagree strongly' categories. The logit link transformation is chosen to achieve a linear model.

Having few observations at level-2 is comparable to having few observations in single-level regression models. Thus, I follow the recommendation of Rasbash et al. (2004), and do MCMC simulations to assess the robustness

of the results. This procedure generates pseudo-random samples from the data, and point estimates and confidence intervals are derived from the simulated data (Hox 2002, 212). With a sufficient number of iterations, estimates and standard errors will be accurate despite the small level-2 sample size.

Missing Data. Given that listwise deletion is shown to be problematic (King et al. 2001; see also the re-analysis of Svallfors (1997) by Linos & West (2003)), this article employs the imputation technique implemented in Amelia (Honaker et al. 2001). The Amelia program imputes observations for the missing data from the observed data and creates five new, complete datasets from which the analysis is performed. Thus, the coefficients and standard errors in Table 1 are derived from five datasets, combined by using the procedure explained in Honaker et al. (2001, 3).

Empirical Results

Figure 1 shows the relationship between income inequality and demand for redistribution when measuring the latter at the aggregate level. As evident from Figure 1, there is a clear positive relationship between income inequality and demand for redistribution. As previously discussed, readers should keep in mind that I (for good reasons) use a 'relative' measure of redistribution support, and that 'absolute' measures of redistribution support might yield a different picture. However, Figures 2 and 3 show a similar relationship for two less relative measures of redistribution support (data from the World Values Survey). Figure 2 shows the relationship between income inequality and country mean scores on the question of how important it is to eliminate big inequalities to be considered a just society (1 = 'not important', 5 = 'very important'), while Figure 3 shows the relationship between income inequality and the percentage of respondents answering: 'Certainly both freedom and equality are important. But if I were to choose one or the other, I would consider equality more important – that is, that nobody is underprivileged and that social class differences are not so strong.' Both variables are positively correlated with level of inequality.

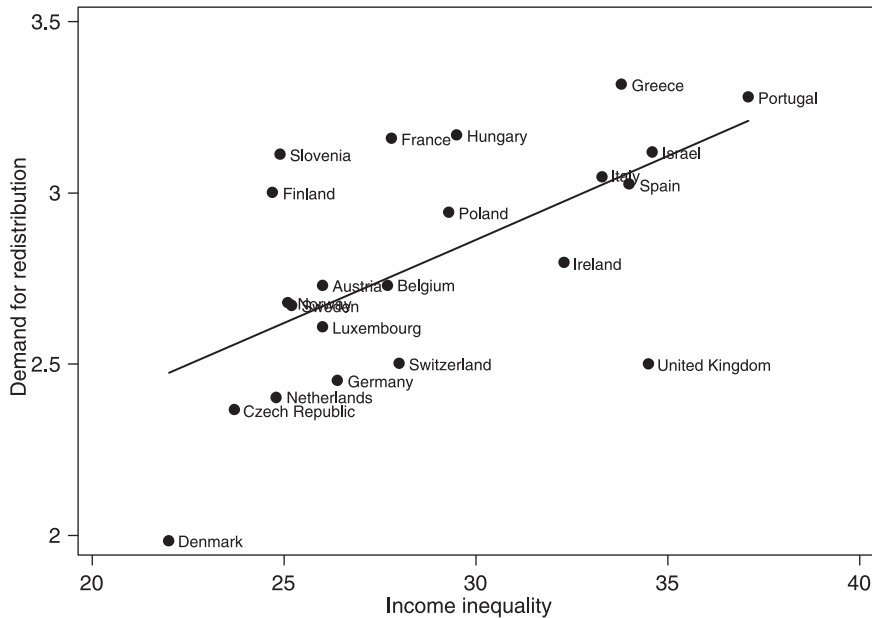
Figure 1 gives some superficial support for the M–R model, but we need multivariate, multilevel regressions to get a better test of the model's logic. Table 1 reports the multilevel regression results.⁹ All models have three intercept terms: one for each of the categories except the reference category. If we take the antilogit of the 'agree strongly' intercept, we get the estimated probability that a respondent agrees strongly with the statement (given a score of 0 on all the independent variables included) (see Rasbash et al. 2004, 144). Moreover, because cumulative probabilities are used, the

Table 1. Dependent Variable is 'the Government Should Take Measures to Reduce Differences in Income Levels' (RIGLS estimation, second-order PQL)

	(1)	(2)	(3)	(4)	(5)
Intercept 'Agree strongly'	-0.824 (0.142)	-2.761*** (0.677)	-1.339* (0.706)	-0.789 (0.684)	-2.522*** (0.672)
Intercept 'Agree'	1.340 (0.142)	-0.591 (0.677)	0.833 (0.706)	1.384 (0.684)	-0.351 (0.672)
Intercept 'Indifferent'	2.136 (0.142)	0.222 (0.677)	1.634 (0.706)	2.184 (0.684)	0.449 (0.672)
Female	0.261*** (0.019)	0.261*** (0.019)	0.261*** (0.019)	0.261*** (0.019)	0.260*** (0.019)
Education	-0.149*** (0.007)	-0.149*** (0.007)	-0.151*** (0.007)	-0.151*** (0.007)	-0.151*** (0.007)
Paid work	-0.036 (0.023)	-0.037 (0.023)	-0.034 (0.023)	-0.034 (0.023)	-0.036 (0.023)
Income	-0.117*** (0.005)	-0.117*** (0.005)	-0.361*** (0.031)	-0.363*** (0.031)	-0.097*** (0.010)
Household size	0.048*** (0.007)	0.048*** (0.007)	0.051*** (0.007)	0.051*** (0.007)	0.048*** (0.007)
Age	0.016*** (0.003)	0.016*** (0.003)	0.017*** (0.003)	0.017*** (0.003)	0.016*** (0.003)
Age ²	-0.0001*** (0.00003)	-0.0001*** (0.00003)	-0.0001*** (0.00003)	-0.0001*** (0.00003)	-0.0001*** (0.00003)
Minority	0.208*** (0.049)	0.208*** (0.049)	0.205*** (0.049)	0.205*** (0.049)	0.207*** (0.049)
Union member	0.286*** (0.025)	0.287*** (0.025)	0.290*** (0.025)	0.289*** (0.025)	0.283*** (0.025)
Religious attendance	0.034*** (0.007)	0.034*** (0.007)	0.034*** (0.007)	0.034*** (0.007)	0.033*** (0.007)
View on immigrants	-0.015*** (0.004)	-0.015*** (0.004)	-0.015*** (0.004)	-0.015*** (0.004)	-0.015*** (0.004)
GINI level		0.067*** (0.023)	0.018 (0.024)	0.012 (0.022)	0.065*** (0.022)
GINI level*income			0.008*** (0.001)	0.008*** (0.001)	-0.453 (0.477)
Religious fractionalization				-1.057*** (0.451)	0.081*** (0.021)
Religious fractionalization*income					0.177 (0.054)
Country-level variance	0.282 (0.085)	0.207 (0.063)	0.211 (0.063)	0.171 (0.052)	
VPC	0.079	0.059	0.060	0.049	0.051
N level-1	40,997	40,997	40,997	40,997	40,997
N level-2	22	22	22	22	22

Notes: *p ≤ 0.1; **p ≤ 0.05; ***p ≤ 0.01. Standard errors in parentheses.

Figure 1. Income Inequality and Demand for Redistribution.

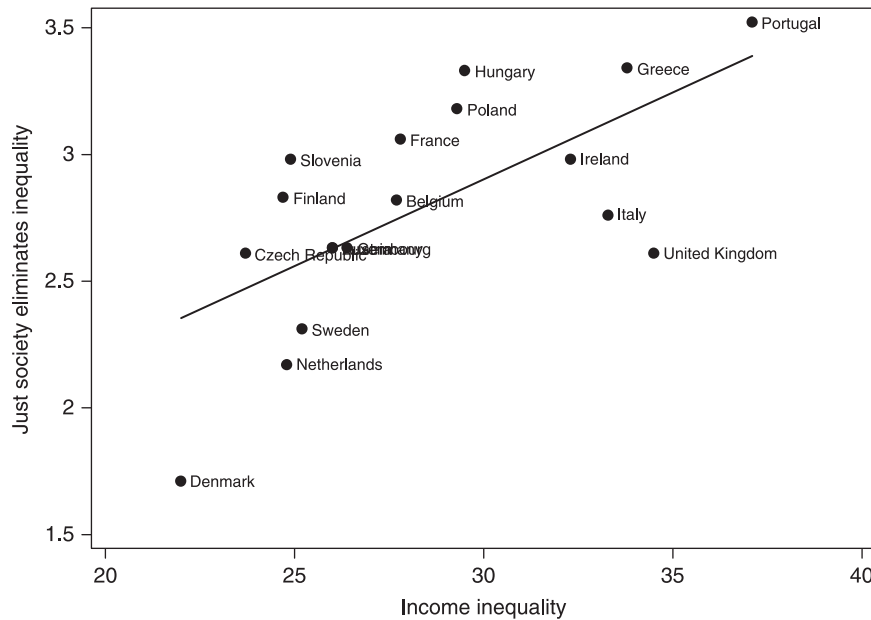


Source: European Social Survey and Luxembourg Income Study/WIID 2.0.

antilogit of the ‘agree’ intercept gives us the probability that the respondent ‘agrees strongly’ or ‘agrees’. In this article, I apply the ‘agree strongly’ intercept when illustrating the results, mainly because it gives us the clearest expression of redistribution demand.

Model 1 is a random intercept model with only the individual-level variables included. Most results are as expected. As in previous research, women, those with low education, members of large households with low incomes, the elderly and union members are more likely to demand more redistribution. Moreover, those belonging to a minority group and people who rarely go to church are more likely to support redistribution. Contrary to expectations, people who believe that immigrants contribute to the economy are less likely to support redistribution. This finding suggests, at the least, that no simple relationship exists between animosity towards immigration and preference for redistribution. Finally, and somewhat surprisingly, there is no significant effect of having paid work. The most likely explanation for this finding is a high degree of heterogeneity in the reference group (‘not in paid work’). For instance, students and pensioners might have opposing views on redistribution.

Figure 2. 'How Important is It to Eliminate Big Inequalities to be Considered a Just Society?' (1 = Not important, 5 = Very important) and Income Inequality.

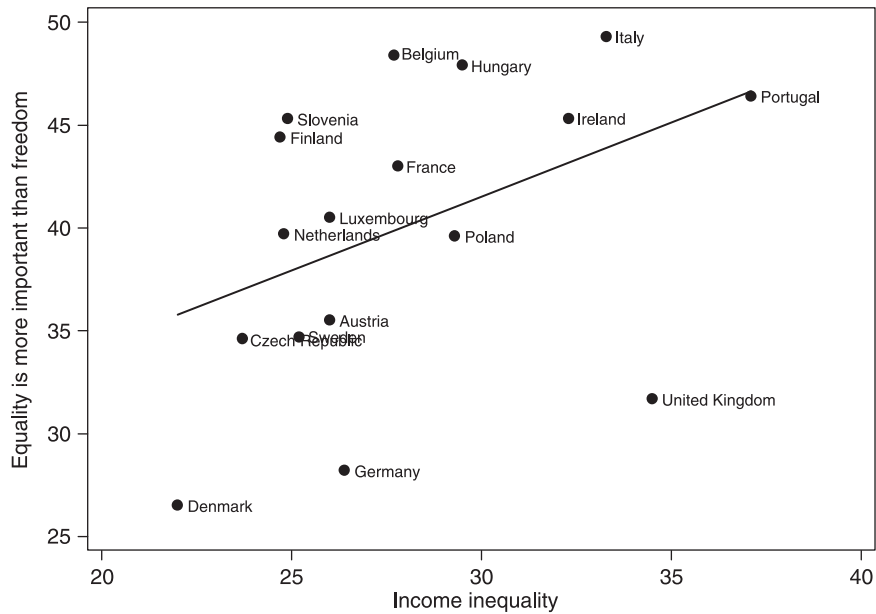


Source: World Values Survey and Luxembourg Income Study/WIID 2.0.

As for substantial significance (Table 2), income, gender and union membership emerge as the most important variables when we consider the change in predicted probability of 'agreeing strongly' when changing the independent variable by one standard deviation (or from 0 to 1 for the dummy variables). The predicted probability drops by 7 percentage points for one standard deviation change in income, and 6 percentage points for gender and union membership. If we look at the change in probability when changing X from its minimum to its maximum value, we find that income and education are by far the most important variables. The predicted probability drops by 20 percentage points for education (0 versus 6), and 29 percentage points for income (1 versus 12). In sum, results in Model 1 are largely in agreement with existing research.

The Variance Partition Coefficient (VPC) gives us the percentage of the unexplained variation in demand for redistribution that belongs to the country level. The estimated VPC in Model 1 says that only 8 percent of the remaining variation is truly cross-sectional (between countries). This is an important finding as it says that most of the cross-country differences in demand for redistribution can be accounted for by the different compositions of the populations.

Figure 3. Percentage Answering that Equality is More Important than Freedom and Income Inequality.



Source: World Values Survey and Luxembourg Income Study/WIID 2.0.

Model 2 reports the results when adding the GINI-level variable, and shows that a high GINI-level increases the probability that the respondent will demand more redistribution. Thus, even when we adjust for population compositional differences, the relationship depicted in Figure 1 remains. The probability that the respondent demands more redistribution (strongly agree) increases from 0.28 when inequality is at the level of Denmark (GINI-coefficient = 22) to 0.51 when at the level of Portugal (37) (other variables held at their mean score). The size of this effect is similar to the effect of income and has to be characterized as substantial. Moreover, only incremental changes occur in the coefficients for the level-1 variables when inequality is included in the model.

Model 3 includes the interaction term between GINI-level and income to see whether the effect of income is contingent on inequality. From the perspective of the M-R model, we expect that the median income voter is more likely to demand more redistribution when inequality levels are high. The positive and significant interaction term in Model 3 suggests that this is the case. Figure 4 illustrates the relationship between income, inequality and

Table 2. Change in Predicted Probability that Respondent 'Agrees Strongly'. Other Variables are Held at Their Mean (Dummies are Set to 1)

		P(low score)	P(high score)	Change
Female	Standard deviation change	–	–	–
	Minimum versus maximum	0.31	0.37	0.06
Education	Standard deviation change	0.40	0.35	–0.05
	Minimum versus maximum	0.48	0.28	–0.20
Paid work	Standard deviation change	–	–	–
	Minimum versus maximum	0.38	0.37	–0.01
Income	Standard deviation change	0.41	0.34	–0.07
	Minimum versus maximum	0.52	0.23	–0.29
Household size	Standard deviation change	0.36	0.39	0.03
	Minimum versus maximum*	0.35	0.42	0.07
Age	Standard deviation change	0.36	0.38	0.02
	Minimum versus maximum	0.32	0.37	0.05
Minority	Standard deviation change	0.33	0.37	0.04
	Minimum versus maximum	0.33	0.37	0.04
Union member	Standard deviation change	–	–	–
	Minimum versus maximum	0.31	0.37	0.06
Religious attendance	Standard deviation change	0.37	0.38	0.01
	Minimum versus maximum	0.33	0.41	0.08
View on immigrants	Standard deviation change	0.38	0.37	–0.01
	Minimum versus maximum	0.39	0.35	–0.04

Note: *Maximum value set to 7.

Figure 4. The Probability that the Respondent 'Agrees Strongly' with the Statement that 'Government Should Strive to Reduce Differences in Income Levels' (Table 1, model 3): Other Variables are Held at Their Mean (Dummies are Set to 1).

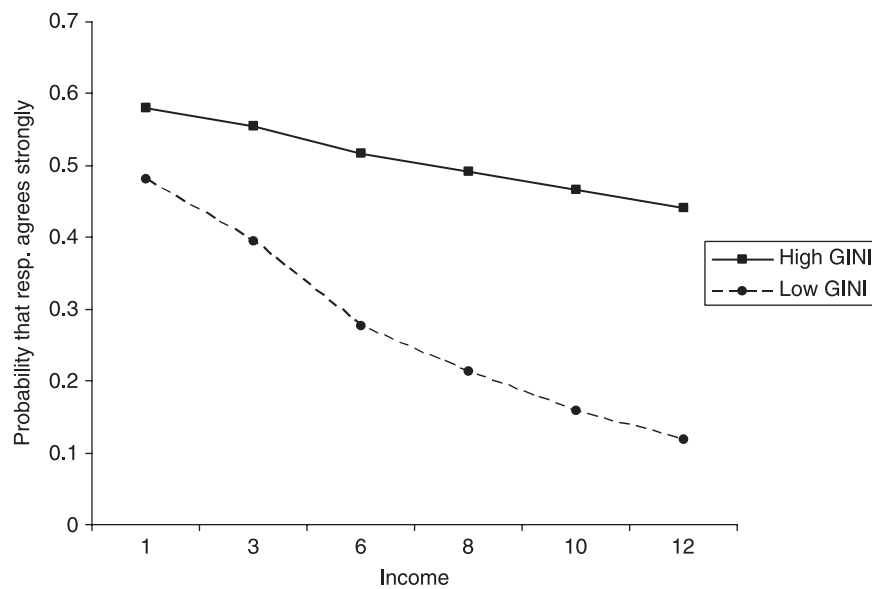
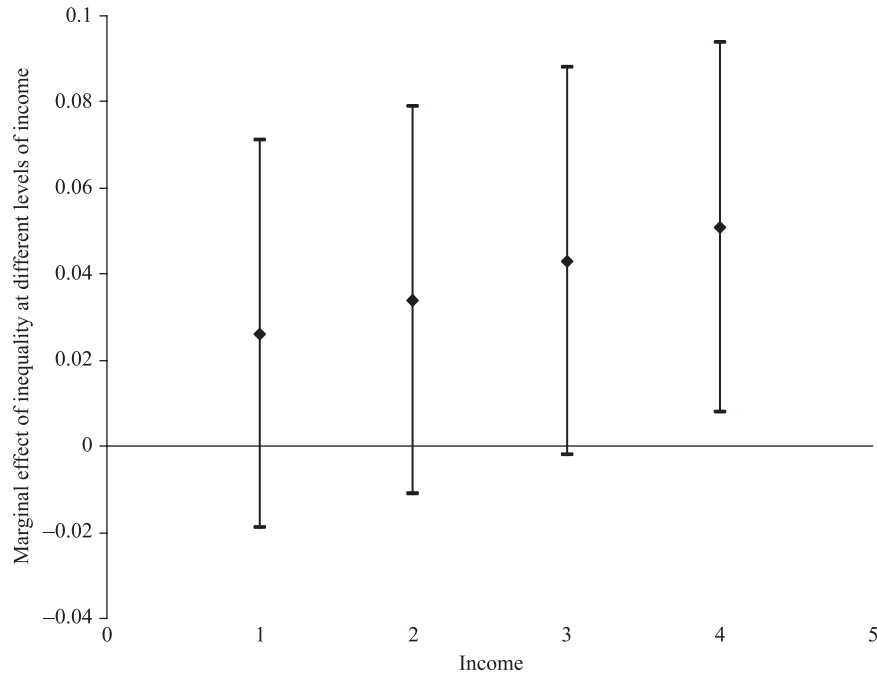


Figure 5. Marginal Effects of Inequality at Different Levels of Income: Coefficient Estimates and 95% Confidence Intervals (Based on Model 3, Table 1).



demand for redistribution by showing the predicted probabilities of redistribution support at different income levels for respondents living in a country with a low level of inequality (GINI = 22), and in a country with a high level of inequality (GINI = 37). Both curves have a negative slope – that is, the demand for redistribution is decreasing with income for all inequality levels present in this sample. The finding that the negative effect of income decreases with inequality fits nicely with Kumlin and Svallfors' (forthcoming) finding that class differences in redistribution support is largest in equal countries. Moreover, Figure 5 shows the marginal effect (and the 95% confidence interval) of inequality at different levels of income, using the method proposed by Braumoeller (2004). This makes it possible to identify the income level where inequality becomes significant.

Figure 5 shows that inequality does not have a significant effect on the demand for redistribution for those in the three lowest income categories, while the marginal effect of inequality is significant for income levels above the third category.¹⁰ Note that while the marginal effect of inequality increases with income, the effect of inequality never out-weighs the effect of income; as we saw in Figure 4, there is a negative income slope for all levels

of inequality in my sample. Thus, the findings fit nicely with both predictions derived from the M–R model: the demand for redistribution decreases with individual income, and the median-income person demands more redistribution when inequality is high. However, the results also show that the rich is more supportive of redistribution in unequal countries, and this is difficult to reconcile with the M–R model, where the rich always oppose redistribution.¹¹ To speculate, one possible explanation is that the rich in equal countries perceive the deadweight losses from redistribution as higher than the rich in unequal countries. Another possible explanation is that the rich in unequal countries support redistribution due to fear of social instability (Alesina & Perotti 1996). One should also note that recent research on inequality and political polarization in the United States documents that polarization has increased at the same time as inequality has grown (McCarthy et al. 2006). These findings cannot be compared with the cross-sectional findings in this article, but this possible contradiction seems like a fruitful starting point for future research.

Next I examine how robust the results in Model 3 are to the inclusion of other relevant country-level variables. GDP per capita does not matter, probably because income at the individual level captures all the effects of income level. Results in Model 3 are also robust to the inclusion of trade openness. The same is true for beliefs about mobility. As hypothesized, the coefficient is negative, but the standard error is almost twice the size of the coefficient. In this case, although the coefficient for GINI-level decreases slightly and the interaction term with income increases slightly, the previous conclusions remain. These small changes probably occur because mobility data is missing for Israel, implying that Israel drops out when beliefs about mobility is included. Finally, neither ethnic fractionalization nor linguistic fractionalization has any significant effect, and, as before, the GINI-level coefficient is robust to these inclusions.

Model 4 presents the results when including the religious fractionalization index, which, in line with Scheve and Stasavage (2006), has a significant and a substantial negative effect on the probability of redistribution support. According to the results in Model 4, the probability of agreeing strongly decreases from 0.43 when religious fractionalization is at the level of Portugal (0.10) to 0.28 when at the level of the Netherlands (0.75). Model 5 shows the results when replacing the interaction between inequality and income with the interaction between religious fractionalization and income. The interaction term between religious fractionalization and income suggests that the negative effect of fractionalization is strongest among those with low income. Again, for a better picture of the overall effect, Figure 6 shows the expected probability of support at different levels of income when fractionalization is at its (observed) maximum and minimum levels. As evident, despite a significant interaction, the substantial effect is negligible. Thus, while religious

Figure 6. The Probability that the Respondent 'Agrees Strongly' with the Statement that 'Government Should Strive to Reduce Differences in Income Levels' (Table 1, model 5): Other Variables are Held at Their Mean (Dummies are Set to 1).

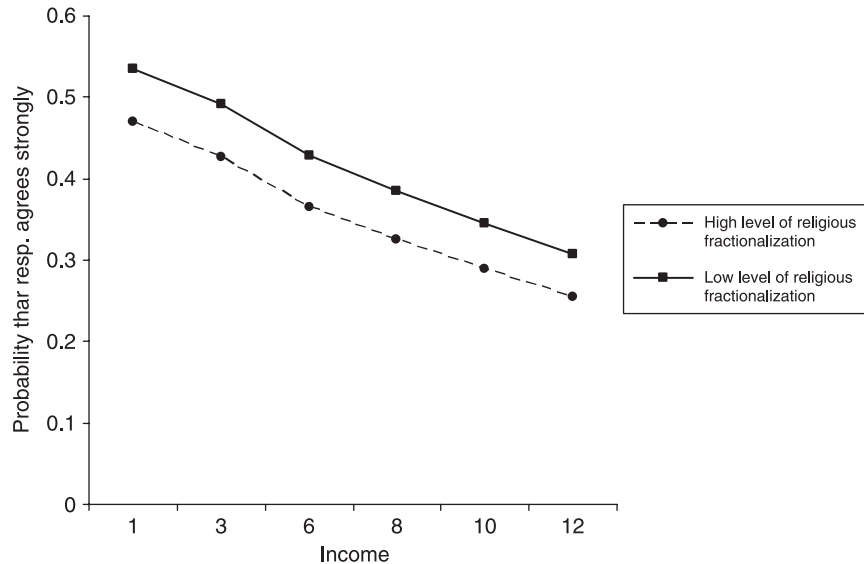


Table 3. Dependent Variable is 'the Government Should Take Measures to Reduce Differences in Income Levels': 95% Confidence Intervals are Shown. MCMC simulation results

	(1)	(2)	(3)	(4)
Intercept 'Agree strongly'	-3.250, -1.530	-1.751, -0.043	-1.660, 0.260	-3.011, -1.271
Intercept 'Agree'	-1.093, 0.631	0.412, 1.681	0.502, 2.428	-0.846, 0.893
Intercept 'Indifferent'	-0.297, 1.428	1.210, 2.479	1.296, 3.225	-0.051, 1.688
GINI level	0.028, 0.088	-0.011, 0.032	-0.015, 0.047	0.026, 0.083
GINI level * income		0.006, 0.011	0.006, 0.010	
Religious fractionalization			-1.935, -0.213	-1.538, 0.433
Religious fractionalization * income				-0.107, -0.025
Country-level variation	0.120, 0.417	0.121, 0.428	0.098, 0.349	0.101, 0.365
DIC	96,893,490	96,840,020	96,839,890	96,885,770
N level-1	40,997	40,997	40,997	40,997
N level-2	22	22	22	22

fractionalization seems to matter for redistribution support, it does so independently of income level.

As mentioned above, MCMC simulation should give more precise estimates and standard errors than traditional techniques when the level-2 sample size is small. Thus, Table 3 reports the results from MCMC simulations (see Browne 2004) where the coefficients in Models 2–5, Table 1, are used as starting values. The coefficients in Table 1 are considered a random draw from the true distribution of parameter estimates, and the MCMC simulation

makes a series of draws from the starting values. Given that enough draws are made, the distribution of simulated parameter estimates will reflect the true distributions of the coefficients (Hox 2002, 211ff). The individual-level coefficients are left out in Table 3 to ease presentation since they closely resemble those in Table 1. Moreover, 95% confidence intervals (rather than point estimates and standard errors) are shown, since not all parameter estimates are normally distributed.

The results in Table 3 support the previous findings. Inequality is positively associated with the demand for redistribution, and modifies the negative income slope. The MCMC simulation has the advantage of giving us the deviance statistic, which is a goodness-of-fit statistic. The deviance statistic is significantly reduced from Model 1 to Model 2 ($\chi^2 = 53.47$, $df = 1$) (Hox 2002, 43ff). The reduction in deviance is not significant for any of the other extensions of Model 1. Thus, the results from Model 2 should be preferred to the others – that is, supporting the argument that there is a positive interaction between own income and income inequality.

Conclusion

This article has examined the link between income inequality and the demand for redistribution, inspired by the empirical finding that pre-transfer inequality is not related to redistribution efforts. It proposes that the lack of an association between pre-transfer inequality and redistribution will appear less as a ‘puzzle’ if individual preferences are not affected by inequality. Existing empirical research reports mixed findings as to whether inequality and the demand for redistribution are linked in the manner that the M–R model predicts. This article offers an important contribution to the existing research by directly modeling the effect of inequality on the relationship between income and demand for redistribution.

The empirical results show that the level of inequality is positively linked with the demand for redistribution and the marginal effect of inequality is statistically significant for income above the third income category. This finding is robust to the inclusion of a range of other country-level variables considered important for preferences for redistribution.

Although this article relies solely on cross-sectional data, the results support the claim that public opinion is a push factor with regard to convergence in redistribution efforts across Europe – that is, if preferences were directly transformed into policy in the manner the M–R model assumes, cross-country differences in redistribution effort would be reduced over time. Given that aggregate cross-country differences in redistribution support at the beginning of the 1980s were similar to those found here (Inglehart 1990, 255) together with the lack of support for the M–R model in its reduced form, the

results in this article indirectly support the emphasis on political-institutional differences between countries in explaining cross-country differences in redistribution effort: differences between countries apparently remain primarily because they differ in how preferences are transformed into policy. For instance, countries differ as to how well politically weak groups are mobilized and represented in the political system, and to what degree poor voters actually vote (e.g. Anderson & Beramendi 2006). In this respect, the results also speak to the recent debate about the impact of public opinion on social policy outcomes. Brooks and Manza (2006a, 2006b) argue that there is a direct link between public opinion and social policy, while Myles (2006) questions this proposition, arguing instead that traditional welfare state theory has rightly emphasized institutional differences (rather than public opinion differences) to explain welfare state development. Considering that the results here show that redistribution demand is affected by inequality levels, and that previous research finds no association between inequality and redistribution efforts, Myles' interpretation seems most appropriate.

One limitation of this study is that it relies on post-transfer inequality data rather than on more appropriate pre-transfer inequality data. However, using pre-transfer inequality data is not an option at present because pre-transfer data close to the time of the survey (i.e. 2001) is not available for most of the countries in my sample. Thus, replicating this study when pre-transfer inequality data becomes available for more countries is an important task for future research. Moreover, as more waves of survey data become available, it becomes possible to expand the analysis to take the time-dimension into account as well. This would be especially interesting in light of the findings that political polarization has increased with inequality in the United States (McCarthy et al. 2006).

Appendix

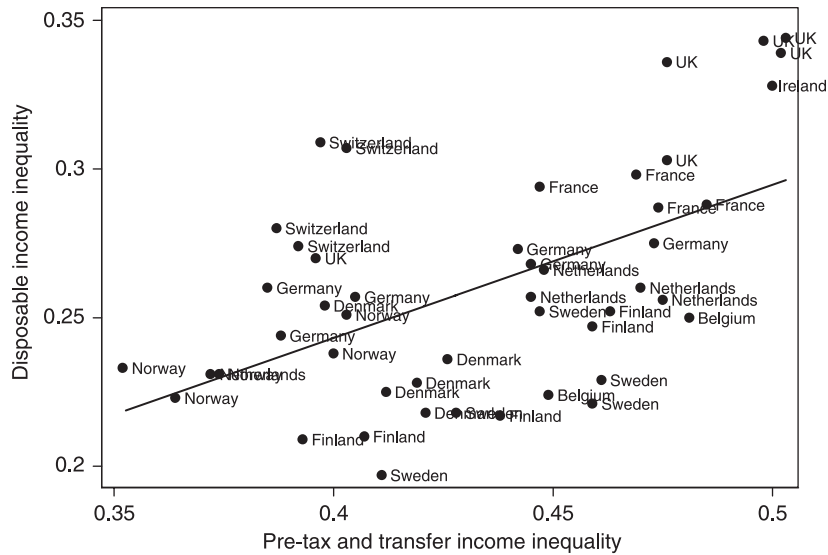
Appendix Table 1. Descriptive Statistics for Level-1 Variables (N = 40,997)

	Mean	Standard deviation	Minimum	Maximum
Redistribution	2.1444	0.99362	1	4
Female	0.527092	0.399418	0	1
Education	2.3416	1.49884	0	6
Paid work	0.53301	0.49891	0	1
Income	5.92334	2.54966	1	12
Household size	2.84326	1.49504	0	15
Age	46.933	17.802	17	98
Age ²	2,519.6	1,776.6	289	9,604
Minority	0.0390222	0.193652	0	1
Union member	0.230672	0.421268	0	1
Religious attendance	5.31978	1.57312	1	7
View on immigrants	4.17218	2.2479	0	10

Appendix Table 2. Level-2 Data

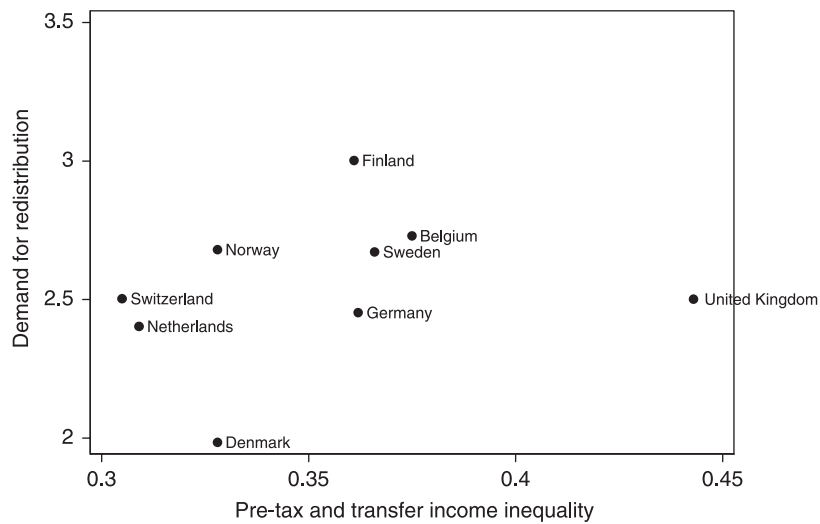
Country	Redistribution (mean)	GINI level	Openness	Mobility	Ethnic fractionalization	Linguistic fractionalization	Religious fractionalization	(ln) GDPpc
Austria	2.729869	26.0	4.494909	7.48	0.1068	0.1522	0.4146	10.07222
Belgium	2.729715	27.7	5.114094	6.56	0.5554	0.5409	0.2127	10.07664
Switzerland	2.501746	28.0	4.450269	6.90	0.5314	0.5441	0.6083	10.18165
Czech Republic	2.366488	23.7	4.882802	6.87	0.3222	0.3233	0.6591	9.522666
Germany	2.451321	26.4	4.195697	7.26	0.1682	0.1642	0.6571	10.03697
Denmark	1.983607	22.0	4.467631	7.34	0.0819	0.1049	0.2333	10.18897
Spain	3.026152	34.0	4.114147	6.71	0.4165	0.4132	0.4514	9.800735
Finland	3.000507	24.7	4.336506	7.51	0.1315	0.1412	0.2531	10.0771
France	3.159167	27.8	4.02945	6.47	0.1032	0.1221	0.4029	10.01494
United Kingdom	2.5	34.5	4.061994	7.14	0.1211	0.0532	0.6944	10.0074
Greece	3.3176	33.8	4.121149	7.00	0.1576	0.03	0.153	9.589735
Hungary	3.168402	29.5	5.020916	6.20	0.1522	0.0297	0.5244	9.253304
Ireland	2.796662	32.3	5.215479	7.30	0.1206	0.0312	0.155	10.1804
Israel	3.11812	34.6	4.33428		0.3436	0.5525	0.3469	9.738259
Italy	3.04717	33.3	4.018003	6.32	0.1145	0.1147	0.3027	9.988748
Luxembourg	2.608726	26.0	5.645058	6.96	0.5302	0.644	0.0911	10.6917
Netherlands	2.401709	24.8	4.893577	6.73	0.1054	0.5153	0.7222	10.09877
Norway	2.679803	25.1	4.331391	7.18	0.0586	0.0673	0.2048	10.20581
Poland	2.943957	29.3	4.130677	6.13	0.1183	0.0468	0.1712	9.128805
Portugal	3.279644	37.1	4.30838	6.87	0.0468	0.0198	0.1438	9.67552
Sweden	2.671289	25.2	4.454115	7.42	0.06	0.1968	0.2342	10.07048
Slovenia	3.112375	24.9	4.752124	7.17	0.2216	0.2201	0.2868	9.664278

Appendix Figure 1. GINI Coefficients Based on Disposable Household Income and GINI Coefficients Based on Pre-tax and Transfer Household Income: Observations are from Nine Countries Spread across the Period 1979–2000.



Source: Mahler and Jesuit's (2006) Fiscal Redistribution Dataset, Version 2.

Appendix Figure 2. Demand for Redistribution and Ore-tax and Transfer Inequality.



Source: European Social Survey and Fiscal Redistribution Dataset, version 2.

NOTES

1. See Green and Shapiro (1994) for a comprehensive critique of the utility of rational choice models in political science. I share their desire for empirical testing of predictions from rational choice models.
2. There is no consensus in the empirical literature about the size and importance of the disincentive effects from taxation (see Macurdy 1992).
3. <http://www.lisproject.org/keyfigures/ineqtable.htm> (access 17 October 2006).
4. The database is available online at <http://www.wider.unu.edu/wiid/wiid.htm>.
5. The exact wording is: 'Some people feel they have completely free choice and control over their lives, while other people feel that what they do has no real effect on what happens to them. Please use this scale where 1 means "none at all" and 10 means "a great deal" to indicate how much freedom of choice and control you feel you have over the way your life turns out.'
6. Available online at: <http://www.worldvaluessurvey.org>
7. In addition, Alesina and Glaeser (2004) have constructed a racial fractionalization index, but for only 18 of the countries in my sample. There is no empirical relationship between racial fractionalization and mean redistribution support in my sample.
8. See Hox (2002) for a general introduction to multilevel modeling. I use the MLwiN 2.02 software (Browne 2004; Rasbash et al. 2004).
9. All estimates are obtained from Restrictive Iterative Least Squares (RIGLS), penalized quasi-likelihood (PQL) following a second-order Taylor series expansion. This is the recommended approach, especially when the level-2 sample size is small (Hox 2002; Rasbash et al. 2004). Data are unweighted since the current version of MLwiN does not allow weights in ordinal models (<http://www.cmm.bristol.ac.uk/learning-training/multilevel-m-software/reviewmlwin.pdf>).
10. The median voter has income above the third category in all countries except Hungary and Poland.
11. I did the following extra analysis to make sure that it is the case that the rich are more supportive of redistribution when inequality is high: I created a dummy variable where respondents with an income level one standard deviation above the mean in their respective country were coded 1 and the rest were coded 0. This variable is strongly negative, but the interaction term with inequality is positive and significant.

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Chapter 3:

Immigration and Preferences for Redistribution: An Empirical Analysis of European Survey Data

Comparative European Politics 6(4): 407-431.

Note: The sentence "A high score always implies agreement with the statement" on page 414 is wrong. A high score on the *rights* variable implies that you **disagree** that immigrants should be given the same rights as natives. Results are correctly interpreted in the article.



Immigration and Preferences for Redistribution: An Empirical Analysis of European Survey Data

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This paper explores the relationship between perceptions of immigration and preferences for redistribution, using survey data from the European Social Survey. Some recent literature argues that hostility toward immigrants will reduce the preferred level of redistribution, primarily because people care about who they redistribute towards (the anti-solidarity hypothesis). Less attention has been paid to the possibility that immigration might be perceived as increasing the risk of income loss, something that should increase the preferred level of redistribution (the compensation hypothesis). This paper finds some evidence in favour of both hypotheses. Furthermore, the paper argues that anti-solidarity effects should be stronger in countries classified within the Social Democratic welfare state regime type and compensation effects should be stronger in countries within the Conservative welfare state regime type. There is some empirical support for this argument in the data.

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Keywords: immigration; redistribution; public opinion

Introduction

The importance of ethnic fractionalization for welfare state outcomes has been emphasized in a variety of research, and has figured as a frequent explanation of why the US welfare state is less generous than European welfare states (Stephens, 1979; Alesina and Glaeser, 2004). Welfare state issues have always been intertwined with racial issues in the American debate, and, according to Alesina and Glaeser, this interconnection has halted the development of a more ‘European-style’ welfare state. Freeman (1986) argues that migration in the end will Americanize European welfare states, arguing that national welfare states and a high level of migration cannot coexist. This paper examines this claim by exploring the relationship between views on immigrants and preference for redistribution in European public opinion. There is not much comparative, empirical, research on this relationship (Van Oorschot, 2007, 133), and this paper contributes to the existing literature by showing (a) that there are



opposing effects of immigration on redistribution support, and (b) that the strength of effects varies across welfare state regime types.

Alesina and Glaeser (2004, 218) argue that there is a general relationship between ethnic fractionalization and welfare state size, and hypothesize that negative views on immigrants might undermine support for redistribution even from people who would benefit from it. Similarly, Roemer and Van der Straeten (2005, 2006) argue that the size of the public sector is negatively related to the degree of voter xenophobia, which they label as an anti-solidarity effect among the voters. The anti-solidarity effect implies that negative sentiments toward immigration and immigrants should be associated with less demand for redistribution.

However, demand for redistribution is also driven by individuals' exposure to risk. The compensation hypothesis argues that open economies have large welfare states because citizens demand protection against the higher risk level associated with an open economy (e.g. Rodrik, 1997; Garrett, 1998; Rodrik, 1998; Mayda and Rodrik, 2005). At the individual level, Cusack *et al.* (2006) show that the probability of supporting redistribution increases with the probability of becoming unemployed. The mechanism inherent in the compensation hypothesis allows us to consider the ways in which immigration might have a positive effect on redistribution support. Immigration increases the *actual* exposure to risk at the labour market for at least some segments of the population, and immigration might increase the *perceived* exposure to risk for larger segments of the population. From this perspective, immigration might boost rather than diminish support for redistribution. Discussions of such a mechanism, pointing in the opposite direction of the standard hypothesis, have been absent in the literature on the relationship between immigration and redistribution. If redistribution support is in part driven by people's exposure to risk of income loss, the effect of immigration on redistribution support becomes less clear-cut than proposed by the anti-solidarity hypothesis.

This paper examines the link between perceptions of immigrants and redistribution support in a pooled study with data from 21 countries (European Social Survey, round 1). This data set is especially suited for my purpose as it contains a range of questions about immigration. Following the theoretical discussion, this paper puts forward two hypotheses: (a) those expressing hostility towards immigrants are less likely to support redistribution (the anti-solidarity effect) and (b) those expressing fears of negative individual economic consequences from immigration are more likely to support redistribution (the compensation effect). While the empirical results give some support to both perspectives, effects appear to be context-dependent. Building on welfare state regime theory (Esping-Andersen, 1990) and Goul Andersen's (2006) work on immigration and welfare state support, the paper argues that

anti-solidarity effects should be strongest in Social Democratic regimes, while compensation effects should be strongest in Conservative regimes. I show that these hypotheses are partly supported by the data.

This paper proceeds as follows. The next section discusses the relationship between immigration and welfare state support, while the subsequent sections present method and data, and the empirical results. The last section concludes.

Ethnic Heterogeneity and the Welfare State

This section examines the theoretical links and the empirical literature of why ethnic heterogeneity and welfare state outcomes might be related. Although this paper is a micro-level study, the first part of this section reviews some macro-level relationships between ethnic heterogeneity and welfare state outcomes, before the paper discusses the micro-level underpinnings. The comparative political economy literature has until very recently been overwhelmingly concerned with empirical studies at the macro-level, although theoretical assumptions of micro-level mechanisms are frequent (see the discussion in Kittel, 2006).

Ethnic heterogeneity and collective action

The importance of racial heterogeneity has long figured as an important variable explaining 'American Exceptionalism' with regard to welfare policies. However, factors other than ethnic heterogeneity generally constitute the main explanations for cross-country differences in redistribution. Prominent explanations of cross-country differences include left party strength and class coalitions (e.g. Esping-Andersen, 1990; Huber and Stephens, 2001), electoral systems (Iversen and Soskice, 2006), beliefs about social mobility (Piketty, 1995), and type of 'production regime' (Estevez-Abe *et al.*, 2001). Ethnic heterogeneity can matter independently and/or as a variable that influences the other determinants.

Stephens (1979) has used ethnic fractionalization among the working class as an explanation for why trade unions never became as strong in the US as in several European countries. This explanation goes back to Marx, who also discussed the problems related to solidarity among different ethnic groups, by pointing out that forming strong trade unions would be more difficult if the working class is ethnically split (Goul Andersen, 2006). This indirect effect of ethnic fractionalization on the collective action of the working class might be vital for welfare state development considering how decisive working class strength is within the influential power-resource paradigm (Huber and Stephens, 2001; Korpi and Palme, 2003).



Alesina and Glaeser (2004, 137ff) show how racial fractionalization and ethnic fractionalization — defined as the probability that two randomly drawn people from the population are from different racial or ethnic groups — is negatively associated with social spending in a sample of 55 countries (see also Alesina *et al.*, 2003). When controlling for GDP per capita, they find that an increase in racial fractionalization from the level of Denmark to the level of the US reduces expected social welfare spending by almost 5%. Figure 1 shows the relationship between ethnic fractionalization and public social expenditure/GDP (2001) among the 21 European countries in my sample.¹

As evident, the relationship is not clear-cut in this sample of countries, as Belgium and Switzerland distorts the linear negative relationship among these countries. This paper, however, is concerned with the micro-level relationship between immigration and redistribution support, which might be important for the level of social spending in the future.

Anti-solidarity effects?

To explain why ethnic fractionalization has a negative effect on welfare state size, Alesina and Glaeser (2004) point out that survey data research shows that

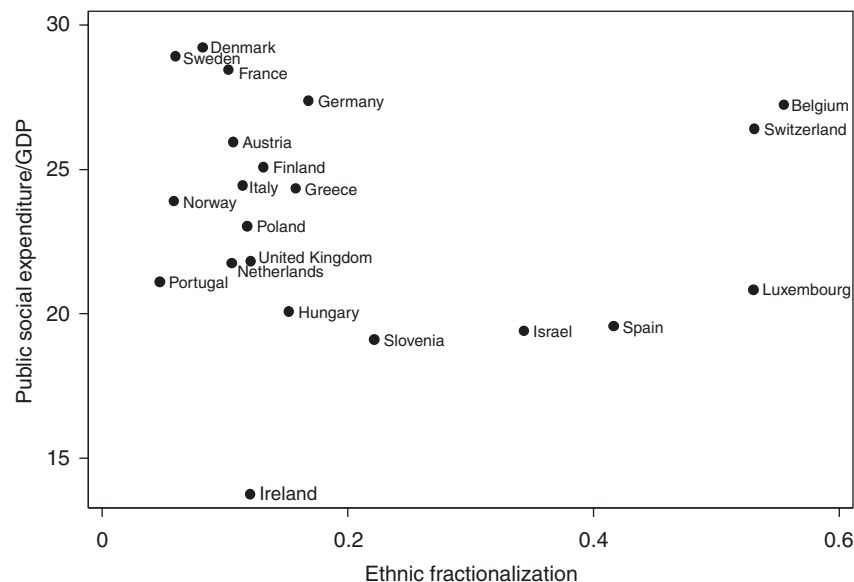


Figure 1 Public social expenditure and ethnic fractionalization in Europe.

Source: Alesina *et al.* (2003) and OECD (2004).



race and welfare issues are intertwined in the US (e.g. Gilens, 1995, 1996; Alesina *et al.*, 2001; Alesina and Glaeser, 2004; Alesina and La Ferrara, 2005). This research shows that negative views toward blacks are a very good predictor of welfare spending preferences and attitudes toward welfare policies among white Americans. In their view, ethnic and racial fractionalization increases the potential for politicians to benefit from policies based on racial hatred. The case for ‘Americanization’ of European redistribution preferences is strengthened when we take into consideration: (a) that European countries are slowly becoming more heterogeneous, (b) the disproportional representation of immigrants among receivers of at least *some* social benefits in at least *some* countries (Brüker *et al.*, 2002), and (c) hostility towards immigrants increase individuals’ probability of voting for radical right parties (Norris, 2005). Thus, the Alesina and Glaeser (2004, 218) hypothesis that European preferences with regard to redistribution might be Americanized cannot be dismissed.

Roemer and Van der Straeten (2005, 2006) put forward a similar hypothesis. In their empirical applications they employ survey data from Denmark and France to compare the size of the public sector in the total absence of racism to the size of the public sector when xenophobia is taken into account, and they find a substantial difference (Roemer and Van der Straeten, 2005, 2006). They identify two channels by which xenophobia reduces the size of the public sector. The first is an anti-solidarity effect similar to the one proposed by Alesina and Glaeser (2004): racist attitudes directly reduce the preferred level of redistribution because redistribution (actually or perceived as) disproportionately benefits immigrants. The second is a policy-bundle effect: if voters decide to cast their votes based on immigration preference rather than preference over economic policy, they might get a smaller public size than they prefer, given that the anti-immigration party also wants to reduce the public sector. Goul Andersen (2006) has argued that the latter is not necessarily true by pointing out that the anti-immigrant populist right-party in Denmark is not anti-welfare, thus making it possible for poor voters to avoid the trade-off between voting according to immigration preferences and redistribution preferences. However, while some radical right parties do not propose welfare retrenchment, their preferred policy might be a ‘two-level’ welfare state — one for immigrants and one for the native population. This two-level policy is most likely the first-best policy option for those opposing immigration, and recent research on Norwegian data suggests that such policies might receive voter support (Bay and Pedersen, 2006). However, this paper only examines whether one can observe an anti-solidarity effect.

Note that this paper does not explore whether actual welfare state policy has become less generous due to immigration. However, one can make a plausible



argument that issues of immigration and redistribution might become intertwined as Europe becomes more heterogeneous. If the anti-solidarity hypothesis is correct, the change in voter preferences will presumably change policy sometime in the future, however, this process is difficult to trace. Voter preferences are filtered through political institutions and this process causes an unknown time-lag between a change in voter preferences and a change in policy.

Furthermore, objections can be raised with regard to the relevance of the US experiences for Europe. According to Goul Andersen (2006), it is of fundamental importance whether institutionalized welfare arrangements are in place before an increase in ethnic heterogeneity. Similar to Pierson's (1996) discussion of the difference between developing and dismantling the welfare state — i.e. it does not necessarily follow that a reduction in left strength dismantles the welfare state simply because left strength is associated with welfare state expansion — Goul Andersen (2006, 6) argues that institutions are resistant to change and that, once in place, welfare state institutions tend to have a strong impact on perceptions, norms, and values. However, empirical studies do not give much support to this hypothesis, at least not with regard to redistribution support (Jæger, 2006). Nonetheless, considering that welfare states differ with regard to the degree to which they are financed with taxes or social contributions, the relationship between views on immigrants and redistribution might vary with this welfare state characteristic. I return to this issue below.

Effect of perceived economic threat from immigration?

This paper contends that the existing research on the link between immigration and preference for redistribution has overlooked a possible countervailing consequence of immigration. It is well-established that individual preferences for redistribution are driven by factors related to risk at the labour market (e.g. Iversen and Soskice, 2001; Moene and Wallerstein, 2001; Cusack *et al.*, 2006). In general, welfare spending not only redistributes income from the well-off to the less well-off, but also provides insurance against adverse life-events that causes loss of income. This insurance is valuable also for those who are well-off today, implying that support for welfare state spending has two motives, redistribution and social insurance. The insurance framework can explain typical empirical findings such as why women are more likely to support redistribution than men, why the elderly are more likely to support redistribution than the young, and why those with low education are more likely to support redistribution than those with a high level of education — all these groups are disadvantaged within the labour market. Their risk of income

loss is higher, and they support redistribution as a form of insurance against this risk.

Exogenous shocks to the economy might increase workers risk of income loss. One prominent explanation for why trade openness and level of government spending is positively correlated says that openness increases income volatility, and that this risk is positively related to the demand for public social protection (see Rodrik, 1998; Garrett, 1998). Rehm (2005), however, does not find that working in a sector open to international trade affects the likelihood of supporting redistribution, but Scheve and Slaughter (2004) present empirical evidence that UK workers feel more insecure in industries with a high inflow of foreign direct investments.

The impact of immigration on wage income and a worker's position in the labour market has been an important part of the European debate on the effect of immigration. Although the empirical estimates of the impact of immigration on host labour markets are small — see review of the literature in Hainmueller and Hiscox (2007) — workers might still overestimate the true impact of immigration when accurate information is lacking. Thus, to claim that overestimation is still happening, one has to assume that Europe's experiences with immigration are so recent that voters still miscalculate its effect from lack of information.

Based on the idea that people have both redistributive and insurance motives for supporting welfare spending, one can argue that voters who believe that immigration increases risks in the labour market should respond by supporting redistribution as a protection against this risk.² Consequently, the effect of immigration (the exogenous shock) might have two opposing effects — an anti-solidarity effect and a compensation effect — on redistribution support, making the net effect uncertain. Both effects can, however, operate at the same time.³

Building on Esping-Andersen's (1990) welfare state regime typology and Goul Andersen's (2006) work on the relationship between immigration and redistribution support, the paper explores to what degree the effects of the immigration variables vary according to regime type. Given the lack of support for the hypothesis that each regime type breeds support for its own normative foundation (Jæger, 2006), it seems more fruitful to focus directly on the institutional differences between the regime types as the basis for hypotheses of how the effects of immigration differ according to regime type. In this part of the empirical analysis, I focus on the countries belonging to the Social Democratic and the Conservative welfare state regime types, as the theoretical reasons and the empirical support for considering these two regime types as distinct, as well as the confidence that policy within each cluster follow a similar logic, are high.⁴ One should expect anti-solidarity effects to be stronger in the Social Democratic cluster, as Social Democratic welfare states are



heavily tax-financed and rights-based. Both factors are likely to make issues of collective solidarity more salient. One should expect compensation effects to be stronger in the Continental-European cluster, as welfare arrangements are more closely attached to earnings-based contributions. In addition, the higher level of unemployment in Continental-European countries might increase this awareness.

Data and Method

All data used in this paper are derived from the European Social Survey (ESS), round 1, conducted during 2002.⁵ This survey is especially suited for the purpose of this paper since it includes a battery of questions about respondents' views on immigration and immigrants. Those who define themselves as belonging to a minority are excluded from the analysis so that the focus remains solely on the majority population.

Dependent variable

I use the question 'the government should take measures to reduce differences in income levels' to tap preferences for redistribution. The variable is an ordered categorical variable where the respondents have six choices: 'agree strongly', 'agree', 'neither agree nor disagree', 'disagree', 'disagree strongly', and 'don't know'. 'Don't know' answers are treated as missing. In the pooled sample, 26% answer that they 'agree strongly', 47% 'agree', 12% 'neither agree nor disagree', 13% 'disagree', while only 2.5% 'disagree strongly'. Ordinal logit models can be compared to a series of binary logistic regressions, and estimating a logit model where only 2.5% of the observations has $Y=1$ is not recommended (Hamilton, 1992, 225). Thus, I collapse the 'disagree' and 'disagree strongly' categories.⁶

Independent variables

The ESS data include a range of different variables for capturing attitudes toward immigrants and immigration. I select those that best fit the theoretical perspectives (variable name and scale of the variable given in parentheses). A high score always implies agreement with the statement. 'Taxes and services: Immigrants take out more than they put in' (*taxes*, 0–10) fits neatly with Alesina and Glaeser's and Roemer's argument that redistribution support is being undermined because immigrants are perceived as not contributing to the welfare state. Next, I consider two variables to capture other aspects of animosity towards immigration; 'It is better for a country if almost everyone shares customs and traditions' (*traditions*, 0–4) and 'Immigrants should be



given the same rights as everyone else' (*rights*, 0–4). Finally, I consider two variables for capturing a perceived economic threat from immigration; 'average wages are generally brought down by immigrants' (*wages*, 0–4) and 'immigrants take jobs away' (*take jobs*, 0–10).

A negative effect of *taxes*, *traditions*, and *rights* will support the anti-solidarity hypothesis, while a positive effect of *wages* and *take jobs* will support the compensation hypothesis. Following the welfare state regime argument, I expect the anti-solidarity effects to be most prevalent in the Social Democratic countries, while the compensation effects should be strongest in the Continental European countries. The immigration variables are positively correlated, the lowest correlation is between *traditions* and *rights* (Spearman correlation=0.14), the highest between *taxes* and *take jobs* (Spearman correlation=0.42).

The theory behind the hypotheses of how immigration influences redistribution support says that immigration functions as an 'external shock' that translates into less solidarity and/or higher risk of income loss, which in the final stage has consequences for support for redistribution. In this paper I emphasize the final stage of this causal chain. Whether the external shock translates into less solidarity and/or higher risk of income loss in the first step cannot be properly tested with cross-sectional data; however, a recent study of anti-foreigner sentiments in 12 European countries from 1988 to 2000 find an increase in anti-foreigner sentiments in all countries (Semyonov *et al.*, 2006). Van Oorschot and Uunk (2007) argue that the size of the immigrant population will increase solidarity with immigrants, but they find only weak empirical evidence for this claim in their cross-sectional data. Moreover, their finding seems to be driven by an unconventional measure of immigrant population as Sweden is among the most fractionalized countries in their European sample. This is in contrast to the data of Alesina *et al.* (2003) and Fearon (2003). The ESS contains a question of the *perceived* number of immigrants living in the country. Although Europeans overestimate the number of immigrants (Strabac, 2007, 172), the perceptions are highly correlated with the actual size of the immigrant population (Strabac, 2007, 171). In line with Strabac's (2007, 178) findings, my data show that the perception of a high number of immigrants is associated with a high score on *taxes*, *traditions*, *rights*, *wages*, and *take jobs* (not shown). Although this is not conclusive evidence in favour of the argument that immigration influences perceptions of solidarity and risk of income loss, the findings here, together with those of Semyonov *et al.* are supportive of this argument.

Readers should keep in mind that the data I use here does not distinguish between different types of immigration. This is an important issue as immigration into any European country consists of both non-EU immigration



and internal EU immigration, and it is possible that the strength of anti-solidarity and compensation effects is affected by which type of immigration respondents have in mind when they answer the questions. One might speculate that anti-solidarity effects are most strongly related to non-EU immigration, while compensation effects are more strongly related to internal EU immigration.

A range of other variables has been found to be important predictors of redistribution demand. *Gender* (1=female) is included as previous research has shown females to be more supportive of redistribution than men (Svallfors, 1997; Iversen and Soskice, 2001; Aalberg, 2003; Blekesaune and Quadagno, 2003; Linos and West, 2003; Rehm, 2005; Cusack *et al.*, 2006), perhaps due to the disadvantaged position of women in the labour market.

I include *age* (in years) and its square term as previous empirical research (cf. citations in previous paragraph) has found a positive effect of age on preference for redistribution.

I include household *income* (12 categories) as previous research finds that income is negatively related to redistribution support. The variable is centred on the median income level within each country, thus reflecting relative position. Moreover, I include the number of people in the household to control for *household size*, and a dummy variable that equals 1 if income is mainly from pensions or other government benefits (*recipient*).

I also include a dummy variable capturing whether the respondent is a *member of a trade union*. Trade union members have been found to be more in favour of redistribution, perhaps because union membership is a signal of individual or sector vulnerability (Cusack *et al.*, 2006).

I include *religious attendance* apart from religious ceremonies, ranging from 0 (never) to 6 (every day), following the Scheve and Stasavage (2006) argument that religious beliefs function as a substitute for government social spending to insure against adverse life events. They find empirical evidence that people who report a high level of religious attendance tend to prefer less social spending.

I include own *education* (in years) as the risk of income loss varies with skill level. Finally, I include the *education level of the respondent's father* (0=not completed primary education, 6=second stage of tertiary) to capture socialization into accepting a particular ideology. Socio-economic background is related to ideological preference (Elff, 2007) and this variable will capture some of the effect of ideological preference on redistribution support without introducing any potential endogeneity problems.

Method

I estimate ordered logit models, as the dependent variable is categorical. The estimated coefficients inform us of how the probability of moving from



one category (i.e. 'disagree') to the next (i.e. 'indifferent') depends on the independent variables. A positive coefficient says that the probability of redistribution support increases with the respective variable.

Empirical Results

Pooled sample analysis

Table A1 (Appendix) presents descriptive data, while Table 1 reports regression results. All models contain a full set of country dummies to capture country-specific effects. Including country dummies is critically important in an analysis such as this one since it is reasonable to believe that people take the actual level of inequality (or other country-specific factors) into account when they state their preference for redistribution. Most of the country dummies are highly significant — an issue I return to below — but they are left out of the tables to ease presentation.

Taxes are included in column 1. From the Alesina–Glaeser–Roemer argument about anti-solidarity effects, we should expect the coefficient for this variable to be negative. As is evident, the coefficient is negative — that is, those who believe that immigrants do not contribute are less likely to support redistribution — but the effect is not significant at conventional levels.

With regard to the control variables, effects are significant and in the expected direction: preference for redistribution is decreasing with (relative) income, own education, and father's education level, while it is increasing with household size and, at a diminishing rate, with age. Moreover, women, recipients, and union members are more likely to prefer redistribution than their counterparts. In addition, those who seldom attend religious ceremonies are more likely to support redistribution. All these findings are consistent with previous research on redistribution support.

Statistical significance is important, but substantial significance is more interesting. I use the Long and Freese (2006) *SPost* program for Stata to explore substantial effects. Their program allows the calculation of the probability that respondents with different scores on the independent variables fall into any of the categories on the dependent variable. For example, I calculate the probability that a respondent with a low score (one standard deviation below its mean) on *rights* and mean score on the other independent variables fall into any of the redistribution categories. To avoid a large table that would be difficult to read, I report only the probability of falling into the 'agree strongly' category. Next, I calculate the probability that a respondent with a high score (one standard deviation above its mean) on *rights* and mean score on the other independent variables fall into the 'agree strongly' category. We then get an estimate of the substantial effect of a change in *rights*, holding

Table 1 Dependent variable is preference for redistribution. Ordered logit models

	(1)	(2)	(3)	(4)	(5)	(6)
Age	0.019* (0.007)	0.020* (0.007)	0.019* (0.007)	0.018* (0.007)	0.016* (0.007)	0.018* (0.007)
Age ²	-0.0002* (0.0001)	-0.0002* (0.0001)	-0.0002* (0.0001)	-0.0002* (0.0001)	-0.0002* (0.0001)	-0.0002* (0.0001)
Female	0.310* (0.038)	0.310* (0.039)	0.317* (0.039)	0.327* (0.040)	0.318* (0.040)	0.334* (0.040)
Recipient	0.131* (0.060)	0.141* (0.059)	0.125* (0.059)	0.134* (0.060)	0.132* (0.060)	0.115 (0.060)
Education	-0.034* (0.007)	-0.033* (0.007)	-0.036* (0.007)	-0.030* (0.007)	-0.029* (0.007)	-0.032* (0.007)
Income	-0.131* (0.011)	-0.130* (0.011)	-0.131* (0.011)	-0.128* (0.011)	-0.129* (0.011)	-0.129* (0.011)
Household size	0.060* (0.017)	0.064* (0.017)	0.065* (0.017)	0.066* (0.017)	0.061* (0.017)	0.070* (0.017)
Union member	0.243* (0.053)	0.250* (0.052)	0.236* (0.053)	0.247* (0.053)	0.245* (0.053)	0.242* (0.053)
Religious attendance	-0.058* (0.015)	-0.057* (0.015)	-0.054* (0.015)	-0.057* (0.015)	-0.053* (0.015)	-0.056* (0.015)
Father's edu. level	-0.092* (0.017)	-0.092* (0.017)	-0.099* (0.017)	-0.083* (0.018)	-0.088* (0.017)	-0.088* (0.018)



Table 1 continued

	(1)	(2)	(3)	(4)	(5)	(6)
Taxes	-0.017 (0.010)					
Traditions		0.014 (0.021)				
Rights			-0.160* (0.021)			-0.183* (0.022)
Wages				0.094* (0.020)		0.125* (0.022)
Take jobs					0.041* (0.010)	
Country dummies	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	26,109	27,028	26,898	26,243	26,495	26,016
Log pseudo-likelihood	-30716.934	-31727.702	-31448.338	-30780.99	-31069.421	-30379.450
Pseudo- R^2	0.07	0.07	0.07	0.07	0.07	0.07
Wald χ^2 (d.f.)	2596.32 (31)	2715.26 (31)	2743.97 (31)	2664.90 (31)	2693.77 (31)	2699.84 (32)

* $P \leq 0.01$. Robust standard errors are in parentheses. Two-tailed test. Design weight \times Population weight applied (ESS recommendation).



the other variables constant. I do these calculations for all of the independent variables, and present the results in Table 2.

Income, own education, father's education level, and gender appear as the most important predictors of preference for redistribution. The predicted probability of agreeing strongly is 9 percentage points higher for those with an income level of one standard deviation below the median, compared to one standard deviation above the median. The effect on the predicted probability for a similar difference in own education level and father's education level is 5 percentage points. The gender difference is of the same magnitude. Other effects are estimated to be around 3 and 4 percentage points, which cannot be considered as large.

Going back to Table 1, I find that contrary to the anti-solidarity hypothesis, those who agree that it is better for a country if almost everyone share customs and *traditions* are more likely to support redistribution, but the effect is far from significant (Table 1, column 2). Next, in support of the anti-solidarity hypothesis, those who believe that immigrants should not be given the same *rights* as everyone else are less likely to support redistribution (Table 1, column 3). This effect is highly significant with a Z-score above 7. The predicted probability of strongly agreeing that income levels should be made more equal is 6 percentage points lower when *rights* is set one standard deviation above its mean compared to one standard deviation below its mean (Table 2). Thus, the substantial effect is non-negligible, especially considering that I control for income, own education, and father's education level.

Columns 4 and 5 in Table 1 present the results when including measures of perceived economic risk from immigration. In line with expectations, the belief

Table 2 Change in predicted probability (strongly agree) when *X* is changed by one standard deviation around its mean value (0–1 for dummy variables)

	<i>Low value</i>	<i>High value</i>	<i>Change</i>	<i>Based on</i>
Age	0.23	0.225	–0.005	Table 1, column 1
Female	0.20	0.25	0.05	Table 1, column 1
Recipient	0.22	0.24	0.02	Table 1, column 1
Education	0.25	0.20	–0.05	Table 1, column 1
Income	0.275	0.18	–0.09	Table 1, column 1
Household size	0.22	0.25	0.03	Table 1, column 1
Union member	0.22	0.26	0.04	Table 1, column 1
Religious attendance	0.24	0.21	–0.03	Table 1, column 1
Father's edu. level	0.25	0.20	–0.05	Table 1, column 1
Rights	0.26	0.20	–0.06	Table 1, column 3
Wages	0.21	0.25	0.04	Table 1, column 4
Take jobs	0.25	0.22	0.03	Table 1, column 5



that immigrants bring down *wages* is associated with a preference for redistribution. The difference in predicted probabilities when changing *wages* by one standard deviation around its mean is 4 percentage points, about the same size as the effect of being a union member (see Table 2). Finally, column 5 reveals that believing that immigrants *take jobs* away is also positively associated with demand for redistribution; however, the difference in predicted probability when changing *take jobs* as above is only 3 percentage points (Table 2). It is reasonable to believe that the compensation effects are strongest among those with a low level of education, as this group is most directly competing with low-skilled immigrants in the labour market. I tested this reasoning by including an interaction term between education level and *wages* and *take jobs*. While the interaction terms are negative, that is, the positive effect of wages and take jobs are stronger among those with a low level of education, they are not significant (results not shown). This suggests that the perceived economic threat from immigration is not restricted only to those with a low skill level.

Column 6 presents the results when including *rights* and *wages* simultaneously. It turns out that the effect of both variables becomes stronger: the *rights* coefficient decreases from -0.160 to -0.183 , while the *wages* coefficient increases from 0.094 to 0.125 . As an alternative way of testing the two arguments simultaneously, I also created an additive index of the anti-solidarity variables and the compensation variables, and replaced *rights* and *wages* with the index variables. As expected, both are strongly significant, and the substantial effects of the two indexes are similar (results not shown). Clearly, one effect does not rule out the other.

To sum up, the results so far lend some support to both theoretical perspectives — animosity towards immigrants can negatively affect redistribution support, but at the same time, those who perceive immigration as an economic threat are more likely to support redistribution. However, it should be kept in mind that the substantial effects of the economic threat variables are modest. Nonetheless, the opposing effects make it problematic to argue that there are uniform or universal effects of immigration on redistribution support. It seems plausible that country-specific effects determine which effect dominates, as most of the country dummies are highly significant.

Sub-sample analysis

As discussed in the theoretical part, this paper suggests that the effect of the immigration variables might vary with welfare state regime type. More specifically, the argument is that the anti-solidarity effect will be stronger in countries where the welfare states resemble the Social Democratic regime type due to their heavy reliance on tax-financing and emphasis on rights-based



welfare, while the compensation effect will be stronger in countries where the welfare state resemble the Conservative regime type due to their reliance on social contributions. To explore this in a substantive way, I re-estimate the models in Table 1 on two sub-samples of the data: The Nordic, Social Democratic countries in the sample (Denmark, Finland, Norway, and Sweden), and four Continental European countries resembling the Conservative welfare state regime type (Austria, Belgium, France, and Germany). The results for the Nordic countries appear in Table 3, and those for the Continental countries in Table 4.

A look across the columns in the two tables show that household size and religious attendance are important only in the Continental sample, whereas recipient status and union membership is more important in the Nordic sample. Other differences across samples are small.

Taxes is included in column 1. Those perceiving immigrants as not contributing are less likely to support redistribution, but in line with expectations, the effect is only significant in the Nordic sample. However, the substantial importance of *taxes* is modest even in the Nordic sample, as the predicted probability of strongly agreeing change by 4 percentage points when we change *taxes* by one standard deviation around its mean.

Traditions (column 2), insignificant in the full sample, has a negative effect in the Nordic sample while insignificant in the Continental sample. Again, the finding supports the hypothesis that the anti-solidarity effect is stronger in the Nordic countries relative to the Continental countries. An alternative interpretation, however, is that Continental European respondents have the successful handling of the traditional cleavage between Protestants and Catholics in mind when they answer this question, while respondents in the homogenous Nordic countries are more likely to have the immigration issue in mind. Nonetheless, the substantive effect of *traditions* is even smaller than the effect of *taxes*.

Tables 3 and 4 show that *rights* is important in both sub-samples: those who do not want to extend rights to immigrants are less likely to support redistribution. Although Nordic welfare states are more homogenous and rights-based than Continental European welfare states, the substantial effect of this variable is only slightly larger in the Nordic sample (6 percentage points) compared to the Continental European sample (4 percentage points). Moving to the economic risk variables, *wages* is included in column 4. The results are comparable to those in the full sample: those believing that immigrants push down average wages are more likely to support redistribution. The estimated change in predicted probability is 2 percentage points in the Nordic sample, while 4 percentage points in the Continental sample. This small difference between the Nordic and the Continental sample is not significant. As expected, the effect of the *take jobs* variable turns out to be significant only in the



Table 3 Dependent variable is preference for redistribution

	(1)	(2)	(3)	(4)	(5)	(6)
Age	0.030* (0.009)	0.028* (0.009)	0.031* (0.009)	0.032* (0.009)	0.028* (0.009)	0.037* (0.009)
Age (sq)	-0.0003* (0.0001)	-0.0003* (0.0001)	-0.0003* (0.0001)	-0.0003* (0.0001)	-0.0003* (0.0001)	-0.0004* (0.0001)
Female	0.477* (0.052)	0.463* (0.052)	0.480* (0.051)	0.479* (0.052)	0.476* (0.052)	0.486* (0.052)
Recipient	0.308* (0.090)	0.343* (0.089)	0.327* (0.089)	0.303* (0.090)	0.324* (0.090)	0.301* (0.091)
Education	-0.068* (0.009)	-0.069* (0.009)	-0.067* (0.009)	-0.058* (0.009)	-0.065* (0.009)	-0.061* (0.009)
Income	-0.133* (0.017)	-0.131* (0.016)	-0.128* (0.016)	-0.130* (0.016)	-0.128* (0.016)	-0.130* (0.016)
Household size	0.035 (0.023)	0.041 (0.023)	0.037 (0.023)	0.042 (0.023)	0.042 (0.023)	0.041 (0.023)
Union member	0.448* (0.058)	0.463* (0.057)	0.455* (0.057)	0.449* (0.057)	0.454* (0.057)	0.450* (0.058)
Religious attendance	-0.028 (0.023)	-0.024 (0.022)	-0.022 (0.022)	-0.015 (0.023)	-0.020 (0.022)	-0.017 (0.023)
Father's edu. level	-0.073* (0.019)	-0.075* (0.019)	-0.073* (0.019)	-0.070* (0.019)	-0.072* (0.019)	-0.070* (0.019)
Taxes	-0.065* (0.013)					
Traditions		-0.085* (0.027)				
Rights			-0.260* (0.033)			-0.276* (0.033)
Wages				0.068* (0.030)		0.111* (0.031)
Take jobs					-0.021 (0.015)	
Country dummies	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	6,022	6,152	6,160	5,997	6,057	5,977
Log pseudo-likelihood	-6951.5993	-7109.8742	-7083.3704	-6952.169	-7002.1109	-6878.2647
Pseudo- R^2	0.08	0.08	0.08	0.08	0.08	0.08
Wald χ^2 (d.f.)	944.82 (14)	958.86 (14)	1022.86 (14)	910.05 (14)	929.17 (14)	1001.43 (15)

Sample: Denmark, Finland, Norway, and Sweden. Ordered logit models.

* $P \leq 0.05$. Robust standard errors are in parentheses. Two-tailed test. Design weight \times Population weight applied (ESS recommendation).



Table 4 Dependent variable is preference for redistribution

	(1)	(2)	(3)	(4)	(5)	(6)
Age	0.015 (0.012)	0.016 (0.012)	0.019 (0.012)	0.012 (0.012)	0.012 (0.012)	0.015 (0.012)
Age (sq)	-0.0001 (0.0001)	-0.0002 (0.0001)	-0.0002 (0.0001)	-0.0001 (0.0001)	-0.0001 (0.0001)	-0.0001 (0.0001)
Female	0.384* (0.70)	0.370* (0.069)	0.373* (0.070)	0.403* (0.071)	0.395* (0.070)	0.394* (0.071)
Recipient	0.133 (0.105)	0.143 (0.104)	0.141 (0.104)	0.167* (0.104)	0.132 (0.106)	0.166 (0.105)
Education	-0.041* (0.012)	-0.040* (0.012)	-0.042* (0.012)	-0.036* (0.012)	-0.033* (0.012)	-0.039* (0.012)
Income	-0.172* (0.021)	-0.168* (0.021)	-0.164* (0.021)	-0.171* (0.021)	-0.166* (0.021)	-0.166* (0.021)
Household size	0.109* (0.034)	0.111* (0.033)	0.108* (0.033)	0.117* (0.034)	0.105* (0.034)	0.115* (0.034)
Union member	0.199* (0.094)	0.194* (0.092)	0.178 (0.093)	0.198* (0.094)	0.185* (0.094)	0.190* (0.094)
Religious attendance	-0.121* (0.025)	-0.117* (0.025)	-0.118* (0.025)	-0.121* (0.026)	-0.114* (0.025)	-0.123* (0.026)
Father's edu. level	-0.088* (0.029)	-0.089* (0.029)	-0.118* (0.029)	-0.074* (0.030)	-0.085* (0.030)	-0.078* (0.030)
Taxes	-0.028 (0.019)					
Traditions		-0.041 (0.035)				
Rights			-0.118* (0.034)			-0.144* (0.034)
Wages				0.095* (0.034)		0.115* (0.034)
Take jobs					0.042* (0.019)	
Country dummies	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	5,244	5,366	5,318	5,151	5,242	5,097
Log pseudo-likelihood	-6307.2647	-6462.646	-6382.334	-6174.1086	-6304.6077	-6090.8824
Pseudo- R^2	0.08	0.08	0.08	0.08	0.08	0.08
Wald χ^2 (d.f.)	519.46 (14)	528.89 (14)	540.45 (14)	524.55 (14)	520.38 (14)	539.27 (15)

Sample: Austria, Belgium, France, and Germany. Ordered logit models.

* $P \leq 0.05$. Robust standard errors are in parenthesis. Two-tailed test. Design weight \times Population weight applied (ESS recommendation).

Continental sample (column 5), but the substantial effect is small (3 percentage points).

Column 6 shows the results when *rights* and *wages* are included simultaneously. The effects remain significant in both sub-samples.⁷ The difference across samples is small, and it is only the *rights* coefficient that is significantly different between the two samples. Next, I explore within-regime variation by running the model in Column 6 within each of the eight country samples (results not shown). Only two of the 16 coefficient estimates for *rights* and *wages* are substantially different from those reported in Table 3 and 4: the *wages* coefficients for Denmark and France are small and far from significant. While these findings do not contradict the regime argument with regard to the Danish case, it does so for the French case.

Finally, it might be interesting to explore how the immigration variables are related to redistribution support in the Southern and the Central European and Eastern European sub-samples, despite less clear theoretical expectations about how results should differ in these sub-samples. Table A2 (Appendix) reports the results when running the final model on these two samples. As evident, the coefficient for *rights* is negative while the *wages* coefficient is positive also in these sub-samples. The substantial effect of *rights* is largest in the Southern European sample, while *wages* has the largest effect in the Central and Eastern European countries. Note, however, that redistribution support appears to be less related to the control variables in the Southern European sample than in the other sub-samples considered in this paper.

The final paragraph of the paper addresses the issue of endogeneity. The paper has put forward a theoretical model in causal terms: the exogenous shock of immigration affects views on immigrants, which in the next stage has an effect on preferences for redistribution. However, to empirically identify the effect of views on immigrants on redistribution support as causal is difficult with the data I have here, as it is possible that preference for redistribution affects views on immigration. The best way of addressing the issue of endogeneity is by finding an exogenous variable that strongly predicts views on immigrants, but at the same time is unrelated to redistribution support (net of the included control variables). This method is known as Instrument Variable regression in the econometrics literature (see Acemoglu *et al.* (2001) for an excellent application). The obvious difficulty is to find a variable that is strongly related to views on immigration but not to redistribution support. Theoretically, respondents' *domicile* might be the most promising variable in the ESS1 data set. People living in urban areas have more contact with immigrants, and such contact might be important for their views on immigrants, but *domicile* should not be directly related to redistribution support. It turns out, however, that *domicile* is a too weak predictor of views



on immigrants (net of the control variables) to be considered a good instrument (not shown).

Conclusion

This paper has explored the relationship between views on immigration and individual preferences for redistribution. Fractionalization based on ethnicity has been proposed as an obstacle to solidarity and a hindrance to collective action. Thus, ethnic fractionalization has figured as an explanation of why the American welfare state is less generous than European welfare states, and recent research suggests that animosity towards immigrants undermines redistribution support, primarily due to anti-solidarity effects.

This paper suggests that immigration might also have a countervailing, positive effect on redistribution support. Given the logic of the compensation hypothesis, this paper proposes that perceiving immigration as an economic risk should be positively associated with preference for redistribution. Thus, there might be two dimensions of perceived risk from immigration — one based on non-economic, cultural concerns, and the one based on perceptions of immigrants as an economic threat — that might be differently related to preference for redistribution.

As I have shown in this article, there is some support for these claims in the data from the European Social Survey. Opposition to equal rights for immigrants is negatively related to preference for redistribution. However, believing that immigration reduces average wages or takes jobs away is positively related to preference for redistribution. On the basis of hypothesis that welfare state regime type is important for the strength of the different immigration variables, I reran the models on two sub-samples of the data, the Nordic sample and a sample of four Continental European countries. The results give some evidence to the claim that anti-solidarity effects matter more in the Nordic countries, while compensation effects matter more in the Continental European countries.

Readers should keep in mind that the paper explores the relationship between perceptions of immigrants and redistribution support and one cannot directly infer anything about the relationship between actual immigration levels and actual redistribution. The results in this paper show, however, that sweeping generalizations about the effect of immigration on preferences for redistribution are unwarranted.

Future research should explore how immigration matters for redistribution support from other angles than I have done here, one of which might be the effect of immigration in relation to political strategies of Right populist parties. Party strategies and political competition over immigration and welfare is most likely important for the strength of anti-solidarity and compensation effects.

Another line of research would be to distinguish between different types of immigration, to explore whether different types of immigration affect support for redistribution differently. Finally, an important task for future research is to find data that make it possible to clearly identify the causal effect of perceptions of immigration on redistribution support.

About the author

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Notes

- 1 Data are from the social expenditure database (OECD, 2004), except for Slovenia (the Statistical Office of the Republic of Slovenia, http://www.stat.si/eng/novice_poglej.asp?ID=882) and Israel (Kop, 2003).
- 2 See Moene and Wallerstein (2001) for a formal model incorporating both motives of welfare state support. The ideas put forward in this paper can be derived directly from their model. In their model, a higher probability of losing income in the future increases the preferred level of spending, while a lower level of solidarity decreases the preferred level of spending.
- 3 Sniderman *et al.* (2004) make a similar argument about how economic and cultural variables can simultaneously be important for views on immigrants.
- 4 The data I use allow me to do this type of analysis on a Southern European cluster and a Central and Eastern European cluster also. There are, however, problems with such analysis. First, it is not clear whether these two clusters can be considered as welfare state regime types in the Esping-Andersen terminology (see Arts and Gelissen, 2002; Jæger, 2006, 160). Second, even if one can make an *empirical* case in support of treating these clusters as distinct regime types, the absence of a *theoretical* description of why these countries operate under a similar logic makes it difficult to derive hypothesis of *how* the particularities of the welfare state institutions in the Southern European regime and the Central and Eastern European regime will affect the relationship between the immigration variables and redistribution support.
- 5 Countries included are Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Israel, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Slovenia, Spain, Sweden, Switzerland and the UK. The Czech Republic is excluded due to missing data on the question about father's education level.
- 6 Results are almost identical if I use the original coding, and no conclusions are affected.
- 7 The same is true if we replace *rights* and *wages* with the additive indexes.

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Appendix

See Tables A1 and A2.

Table A1 Descriptive statistics

	<i>N</i>	<i>Mean</i>	<i>Std. dev.</i>	<i>Min</i>	<i>Max</i>
Redistribution	26,109	2.77	1.01	1	4
Age	26,109	46.57	16.70	18	97
Age ²	26,109	2447.88	1663.79	324	9,409
Female	26,109	0.51	0.50	0	1
Recipient	26,109	0.28	0.45	0	1
Education	26,109	12.14	3.93	0	24
Income	26,109	0.22	2.01	−8	9
Household size	26,109	2.90	1.36	1	7
Union member	26,109	0.19	0.39	0	1
Religious attendance	26,109	1.62	1.55	0	6
Father's edu. level	26,109	2.17	1.53	0	6
Taxes	26,109	5.77	2.15	0	10
Traditions	27,028	2.33	1.11	0	4
Rights	26,898	2.41	1.03	0	4
Wages	26,243	2.04	1.12	0	4
Take jobs	26,495	5.51	2.15	0	10



Table A2 Dependent variable is preference for redistribution. Ordered logit models

	<i>Southern Europe</i>	<i>Central and Eastern Europe</i>
Age	−0.003 (0.018)	0.054* (0.013)
Age ²	−0.00003 (0.0002)	−0.0005* (0.0001)
Female	0.173 (0.109)	0.185* (0.085)
Recipient	0.122 (0.152)	0.099 (0.119)
Education	−0.018 (0.015)	−0.048* (0.016)
Income	−0.060* (0.029)	−0.110* (0.031)
Household size	0.033 (0.045)	0.066* (0.032)
Union member	0.100 (0.167)	0.297* (0.139)
Religious attendance	−0.014 (0.041)	−0.023 (0.033)
Father's edu. level	−0.110* (0.054)	−0.121* (0.037)
Rights	−0.330* (0.060)	−0.116* (0.046)
Wages	0.153* (0.049)	0.205* (0.045)
Country dummies	Yes	Yes
Obs.	3,759	3,501
Log pseudo-likelihood	−4169.9764	−3887.2978
Pseudo- R^2	0.03	0.04
Wald χ^2 (d.f.)	154.74 (15)	187.63 (14)

* $P \leq 0.05$. Robust standard errors are in parenthesis. Two-tailed test. Design weight \times Population weight applied (ESS recommendation).

Chapter 4:

What if Robin Hood is a social conservative? How the political response to increasing inequality depends on party polarization

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What if Robin Hood is a social conservative? How the political response to increasing inequality depends on party polarization

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This paper examines how political competition on a non-economic dimension affects redistribution. More specifically, the paper argues that a high degree of party polarization on a non-economic policy dimension modifies the political response to growing income inequalities. Data from the World Values Survey and the Comparative Manifesto Project are employed to show that party polarization on a traditional moral dimension of politics is associated with a weaker relationship between income and subjective position on the Left–Right scale. Because party polarization is associated with a weaker relationship between income and leftism, the paper claims that the political response to increases in inequality will be weaker in polarized countries. The empirical analysis using redistribution data from the Luxembourg Income Study demonstrates that the positive effect of increases in market inequality on redistribution is lower when party polarization on the non-economic dimension is high.

Keywords: redistribution, inequality, self-interest

JEL classification: H20 taxation, subsidies and revenue, H050 national government, expenditures and related policies, I30 welfare and poverty

1. Introduction

While market inequality has increased in most OECD countries over the last two decades (Kenworthy and Pontusson, 2005; OECD, 2008), how governments respond to increases in inequality varies across countries. This paper asks why some countries are more responsive to increases in market inequality than others, and examines the role of political competition on a non-economic dimension.

More specifically, the paper argues that the degree of party polarization on a non-economic policy dimension affects the relationship between pre-government

inequality and government redistribution. The intuition is simple. If political competition is solely about redistribution, one should expect a perfect relationship between voters' preference for redistribution and their general political orientation: The poor benefit from redistribution and place themselves to the Left, while the rich oppose redistribution and place themselves to the Right. If, however, political competition takes place along two dimensions, the simple relationship between income and general political orientation is likely to get distorted because some poor voters have a rightist position on the second dimension, while some rich voters have a leftist position. Thus, the paper posits that the stronger the party polarization on the non-economic dimension, the weaker the relationship between income and political orientation. In other words, those who benefit from redistribution are less likely to take a political position in line with their redistributive preference when polarization is strong, compared with a situation without polarization.¹

Most readers are probably familiar with this old Marxist-inspired argument, and there are some very recent attempts to examine its empirical validity (Dalton, 2008; De La O and Rodden, 2008). However, none of them consider the importance of *party* polarization on a second dimension, and De La O and Rodden (2008, p. 469) explicitly acknowledge this important weakness in their study. In contrast, this paper introduces a measure of party polarization on a second dimension and explores empirically whether poor voters and egalitarians are less likely to take a political position in line with their egalitarian preference when polarization is strong. The results show that they are.

A weaker relationship between objective economic interest and political orientation among the poor when political competition is based on non-economic issues suggests a smaller demand for redistribution. Thus, the paper argues that political polarization will have consequences for government policy on redistribution. While recent research within comparative political economy has shown a vast interest in possible effects of non-economic political competition on various policy outcomes, I am not aware of any studies utilizing direct measures of partisan polarization on a non-economic dimension to examine its effect on redistribution. Such data have an important advantage over its alternatives—i.e. measures of social fractionalization—as they capture to what degree non-economic cleavages are indeed politicized. Moreover, despite a growing interest in the issue, few empirical studies on comparative data exist. In the words of Iversen (2006), this area is 'ripe for empirical research'.

The paper uses data from the Comparative Manifesto Project (CMP) to measure party polarization along a non-economic dimension that I label

¹A more controversial implication not explored here is that non-economic polarization will undermine the electoral success of the Left.

‘traditional morality’. There are several non-economic dimensions that might be important; however, the moral dimension has been emphasized both in theoretical and empirical work on vote choice and redistribution (e.g. Kitschelt, 1994; Roemer, 1998; De la O and Rodden, 2008). The data on party positions from the CMP are merged with data on voters from the World Values Survey (WVS). The empirical analysis shows that low-income voters and those expressing a preference for redistribution tend to place themselves less clearly to the Left in countries where the Left and Right party blocs are polarized on the non-economic dimension. Next, the paper uses data from the Luxembourg Income Study (LIS) to examine whether polarized countries have a weaker redistributive response to increases in pre-transfer inequality. The empirical analysis demonstrates that although polarized countries have a weaker response, only a small part of the sample has a level of polarization so high that increases in inequality do not matter for redistribution.

The rest of this paper is organized as follows. Section 2 outlines the argument of how income inequality and party polarization affect redistribution. Section 3 presents data and the method to test the argument, and section 4 presents the empirical results. Section 5 concludes.

2. The argument

In a recent book on American politics, McCarty *et al.* (2006) describe the relationship between party polarization and income inequality as a ‘dance of give and take’. According to their analysis, party polarization is (partly) to blame for the increase in disposable income inequality in the USA. In their view, party polarization creates a political climate characterized by policy gridlock, making more difficult the implementation of policies necessary for combating the partly exogenous² increase in market inequalities.

The notion that the USA is in the middle of a ‘culture war’ over value issues that make social conservatives less likely to vote their economic interest has been a popular one in the USA. McCarty *et al.* (2006) do not distinguish between party polarization along different dimensions, and they are sceptical of the importance of non-economic issue voting for the increase in disposable income inequality in the USA. Yet there has been a growing interest in the comparative political economy literature on the importance of political competition on non-economic dimensions for redistribution.

The study by Przeworski and Sprague (1986) is an early contribution to this literature. In the Przeworski–Sprague theory of party competition, parties can influence voter positions rather than simply adapting to public sentiments, as

²For example technological changes that have increased the relative demand for skilled labour.

traditional political economy models assume. Their point of departure is that there is no natural organizing principle of politics, i.e. political competition can be centred on class, ethnicity, religion or some other identity. Because Left parties are assumed to benefit from class as an organizing principle, Right parties are likely to try to mobilize around other principles. Moreover, to what degree politics is centred on non-economic issues will have consequences for public policies and electoral outcomes. In their view, class-based politics will decline when political competition is centred on non-economic cleavages. Government redistribution from rich to poor is the cornerstone of class-based politics; thus, if their argument has any merit, redistribution should be affected by political competition along non-economic issues. Roemer (1998) expresses similar ideas in a formalized model, and Iversen (1994) presents empirical evidence in line with the Przeworski–Sprague theory of party competition.

Alesina and Glaeser (2004) represent a more recent attempt to link the importance of non-economic social cleavages to the amount of income redistribution. Although they are primarily interested in the alleged detrimental effect of ethnic heterogeneity for redistribution, they generalize their argument to other relevant cleavages, such as religion and linguistics (see Scheve and Stasavage, 2006, on the relationship between religion and social policy preferences). They identify two interrelated causal pathways of how ethnic heterogeneity might reduce redistribution. First, if redistribution is perceived as disproportionately benefiting minorities, ethnic heterogeneity might reduce the demand for redistribution if voters from the majority group prefer redistribution to their own group (or groups resembling their own group). Second, heterogeneity might reduce redistribution indirectly via the political system if poor voters tend to vote less according to their own economic interest when politicians compete on non-economic issues. Roemer *et al.* (2007) label these two mechanisms as an anti-solidarity effect (because anti-solidarity towards immigrants directly reduces the demand for redistribution) and a policy bundle effect (because political competition indirectly reduces redistribution for a given demand for redistribution). While both explanations might have some merit, the reasoning in this paper is similar to the second explanation as the paper explores how the importance of interest-induced preferences varies according to the degree of non-economic party competition.

Following is an illustration of why party polarization on non-economic issues will be associated with a weaker political conflict between rich and poor. This scenario assumes that voters have preferences concerning redistribution and moral issues. The Left and Right political party (Left and Right political bloc in multi-party systems) put forward political platforms on both dimensions. I assume partisan politicians, i.e. that politicians care not only about winning, but also about policy outcomes. The assumption of partisan politicians implies

that party platforms do not necessarily converge (see, for instance, Persson and Tabellini, 2000, p. 100). The platforms reflect a mix of policy and vote-maximizing considerations and are a result of intra-party bargaining. Empirically, the Left tends to put forward an economically interventionist and socially liberal platform, while the Right tends to put forward a less interventionist and socially conservative platform. While left–right polarization on the economic dimension can be derived from characteristics of those who tend to dominate within the Left party (i.e. low-scale groups) and the Right party (i.e. upper-scale groups), polarization on the non-economic dimension is less intuitive because upper-scale groups are not socially conservative but quite the contrary (Van der Waal *et al.*, 2007). Although the same is perhaps not true for party activists, it illustrates how party positioning on the non-economic dimension entails a strategic element.³

If the two policy platforms converge on the non-economic dimension, we are in a situation with one-dimensional political competition. Thus, if there is no polarization on the non-economic dimension, voters' political stances should be based solely on their redistributive preference: poor voters will benefit from redistribution and place themselves to the left of the political centre, while rich voters will oppose redistribution and place themselves to the right of the political centre.

What if we have the more common situation in which the political parties put forward different platforms on the moral dimension? In this case, poor, social conservative/moderate voters have to trade off their redistributive preference against their moral policy preference when defining their general political orientation. Empirical studies of voter preferences support the assumption that the distribution of voter preferences along the two dimensions are not perfectly correlated (De La O and Rodden, 2008), i.e. some voters experience a mismatch between their joint policy preferences on the two dimensions and the political platforms. If we accept the assumption of proximity theory that voters vote for the party closest to their own position, the utility loss from voting according to their redistributive preference increases with polarization on the moral dimension, simply because in order to get the redistributive policy they prefer, they have to vote for a moral policy they oppose. This cost need not be trivial. Riker (1982), for instance, argues that the cost of losing on the non-economic dimension is likely to be higher than losing on the economic dimension because compromising on moral issues is more difficult.

³Roemer *et al.* (2007) suggest that party positions depend (among other things) on the relative strength of the Militants, i.e. those who want to use the party to put forward the ideal policy of its constituency, and the Opportunists, i.e. those who care solely about winning elections.

The paper's first hypothesis is thus that moral party polarization is associated with a weaker relationship between preference for redistribution and general political orientation. When there is fierce party competition on a non-economic dimension, redistributive preferences become less important for voters' general political identity. The paper explores empirically whether low-income voters are less likely to have a general leftist political orientation when polarization is high. Sceptics might object to the assumption that redistributive preference can simply be derived from an individual's income. While I believe that this assumption is analytically and theoretically sound (see Meltzer and Richard, 1981), and empirically well supported (e.g. Cusack *et al.*, 2006), I nevertheless restrict this assumption and rely on a direct measure of redistributive preference as an alternative.

De La O and Rodden (2008) find, not surprisingly, that the importance of economic issues and moral issues for vote choice varies among OECD countries. Unfortunately, they do not explore why this variation occurs, although they speculate that electoral system and party polarization might be important. They rightly point out that the higher supply of party platforms in countries with electoral systems characterized by proportional representation (PR) might imply that voters in countries with PR systems do not face a trade-off between redistribution and moral preference. They argue that in the presence of a hybrid party offering redistribution and conservative social policy, one has no reason to expect any effect of non-economic party competition on redistribution. Following Dalton (2008), I question the accuracy of the view that polarization is a simple reflection of the electoral system. Nevertheless, the empirical section deals with the issue of whether the findings in this paper are simply a reflection of the electoral system.

The paper further argues that in so far as egalitarians are less leftist when polarization is high, polarization should systematically affect governments' response to increases in income inequality. If poor voters are less likely to have a political orientation in line with their economic interest when polarization is high, the demand for government action to combat the increase in inequality is less strong. The paper therefore argues that the government's response to the increase in inequality is likely to reflect the lower demand. In other words, the argument proposed is one in which redistribution is (partly) driven by voters' demand for redistribution with politicians who are sensitive to changes in public opinion (Amable *et al.*, 2008). The argument thus differs from influential swing-voter models that also incorporate a non-economic dimension (Dixit and Londegran, 1996); however, those models assume that purely strategic politicians target redistribution to non-ideologically oriented voters. The difference stems from my assumption that parties have policy preferences in addition to vote-maximizing incentives.

Empirically, the paper emphasises the relationship between party platforms and voter alignments. However, there are reasons to believe that party polarization also might depress redistribution via post-electoral channels. As previously noted, McCarty *et al.* (2006) argue that party polarization increases policy gridlock and the general status quo bias of politics. With regard to redistribution, polarization might make building coalitions in support of, for example, increases in the minimum wage or the income tax more difficult (see chapter 6 in McCarty *et al.*, 2006). While this paper does not distinguish between the pre- and post-electoral effects of polarization, it examines the overall effect of polarization on redistribution.

3. The data

This section presents the data I use to examine how political polarization affects the responsiveness of redistribution to inequality.

To measure party polarization, I rely on data from the CMP (Budge *et al.*, 2001; Klingemann *et al.*, 2006). The CMP data are regarded as the most comprehensive and comparative data on party positions, and to my knowledge the only source available for testing hypotheses that require longitudinal data. I derive party *polarization* on what I label a ‘traditional moral’ dimension of politics using the following variables: positive references to military spending (per104 and reversed per105), positive appeals to patriotism and/or nationalism (per601 and reversed per602), positive mentions of traditional moral values (per603 and reversed per604), positive appeals to law and order (per605) and negative references to multiculturalism (per608). The CMP data have been used with reference to both salience theory and spatial proximity theory. This paper adheres to a spatial interpretation in which failure to mention an issue (i.e. a score of 0 in the CMP) is understood as a neutral position.⁴ A principal component factor analysis confirms that the variables are related to the same underlying dimension, and the Eigenvalue is above 1.⁵ For deriving the polarization scores, however, I rely on an additive index of these questions rather than the factor scores.

⁴One reviewer is concerned about the percentage of such failures in this part of the analysis. Indeed, the percentage of failures is quite high as on average a party fail to mention four out of the eight issues in my index. I therefore constructed an alternative index where each party’s policy position is weighted by a saliency score for the respective party. The saliency score is the (absolute) number of references to the issues in the index, standardized to vary between zero (neither issue is mentioned) and 1 (the maximum number of references in my sample). This alternative polarization score is highly correlated (Pearson’s $r = 0.82$) with the polarization score I use in the paper.

⁵The Eigenvalue is 1.58. All variables load in the expected direction on the retained dimension. The highest factor loadings are for per601 (0.56) and per105 (0.55), the lowest for per604 (0.26).

Parties are assigned to the Left bloc or the non-Left bloc based on CMP's party family classifications, yielding a Left and non-Left party bloc policy position on the moral dimension. To ensure that the policy scores are not mainly driven by extreme parties, I weight the importance of each party by its percentage of total seats within its own bloc. Finally, to get an estimate of party polarization, I calculate the absolute difference between the Left policy position and the non-Left policy position.

Table 1 lists all country, year, and polarization scores used in the analysis. Some of the scores are used only in the analysis of survey data, some are used only in the analysis of macro data and some are used in both. A detailed list is available upon request. A positive score implies that the Right bloc has a more conservative position on the moral dimension than the Left bloc, and the higher the score, the greater the polarization. With regard to validity, it is reassuring that most scores are positive. However, while polarization scores and within-country change over time are in line with prior expectations for some countries (e.g. increasing polarization in Denmark and low polarization scores in Sweden), others are more surprising (e.g. low scores in France and low scores in the USA in the mid-1990s). It seems plausible that some of the volatility in party positions is due to measurement errors, and the CMP data has been criticized because it lacks measures of uncertainty associated with the policy positions (see Benoit and Laver, 2006, pp. 66–67). Klemmensen *et al.* (2007) compare left–right policy positions of Danish political parties over the 1945–2001 period using expert evaluations, CMP data and data from the developing Word-scores program. They find that these data sources are highly correlated and display similar trajectories over time. Although their findings are relevant, we of course do not know whether results would be as promising for other countries or when using subsets of the CMP data.

Previous research typically treats the number of parties as an indicator of the degree of party polarization. However, as Dalton (2008) points out, party polarization is likely to vary more over time than the number of parties. As is evident in Table 1, party polarization varies across election periods, supporting Dalton's (2008) argument that party polarization should not be treated as a direct consequence of the number of parties or of the electoral system.

I use the survey data from the WVS to test the argument about the effect of party polarization on the importance of redistributive preferences for political orientation. I restrict the analysis to those OECD countries with a long democratic history and am thus left with 61 surveys from 21 OECD countries from the 1980s, 1990s and 2000s.

The dependent variable in this part of the analysis is the widely used question asking respondents to place themselves on the left–right dimension (*leftscale*, 1 = extreme right, 10 = extreme left). The left–right scale is typically considered to

Table 1 Party polarization

Country, year	Polarization scores	Country, year	Polarization scores
Australia 1981	5.74	Japan 1981	7.03
Australia 1985	8.9	Japan 1990	9.02
Australia 1989	6.43	Netherlands 1981	4.68
Australia 1995	5.85	Netherlands 1983	9.45
Australia 2001	-1.54	Netherlands 1987	9.47
Australia 2003	13.63	Netherlands 1990, 1991, 1994	7.85
Austria 1990	2.30	Netherlands 1999	7.91
Austria 1999	19.57	Norway 1979	7.19
Belgium 1981	4.26	Norway 1982	5.06
Belgium 1990	6.65	Norway 1986	4.86
Belgium 1992	4.80	Norway 1990, 1991	6.16
Belgium 1997	4.75	Norway 1995, 1996	9.40
Belgium 1999	2.46	Norway 2000	11.70
Canada 1981, 1982	-3.47	Portugal 1990	2.66
Canada 1987	6.90	Portugal 1999	3.24
Canada 1990, 1991	4.1	Spain 1981	2.47
Canada 1994, 1997	-2.58	Spain 1995	3.22
Canada 1998, 2000	2.94	Spain 1999	4.69
Denmark 1987	11.02	Spain 2000	5.69
Denmark 1990, 1992	11.87	Sweden 1981	3.45
Denmark 1995	9.67	Sweden 1982	6.56
Denmark 1999, 2000	16.37	Sweden 1987	8.90
Denmark 2004	21.02	Sweden 1992	7.54
Finland 1987	6.49	Sweden 1995, 1996	5.56
Finland 1990, 1991	4.85	Sweden 1999, 2000	7.51
Finland 1995	1.37	Switzerland 1982	7.99
Finland 1996	5.53	Switzerland 1989	6.90
Finland 2000	15.27	Switzerland 1992	10.35
Finland 2004	0.67	Switzerland 1996	20.05
France 1979	11.82	Switzerland 2000	16.82
France 1981, 1984	11.43	Switzerland 2002	21.82
France 1989, 1990	-1.55	UK 1979, 1981	6.66
France 1994	1.43	UK 1986	9.73
France 1999	3.52	UK 1986	9.73
Germany 1981, 1983	13.48	UK 1990	16.1
Germany 1984	12.52	UK 1991	7.71
Germany 1989	11.7	UK 1994, 1995	17.27
Germany 1990, 1994	18.59	UK 1999	4.89
Germany 1999, 2000	13.68	USA 1979	11.00
Greece 1999	10.57	USA 1982	13.7
Iceland 1984	9.72	USA 1986	19.90
Iceland 1990	7.52	USA 1990, 1991	16.10
Iceland 1999	6.70	USA 1994, 1995	1.68
Ireland 1990	5.81	USA 1997, 1999	3.97
Ireland 1999	6.52	USA 2000, 2004	10.49
Italy 1981	1.35		
Italy 1990	5.72		
Italy 1999	-3.03		

be a summary of voters' political orientation, and self-positioning on the scale is assumed not to require a high degree of political knowledge (Dalton, 1996).

Income is measured using a dummy variable of whether the respondent has an income *below the median*. WVS reports income in 10 income intervals, which, according to the code book, should be income deciles. However, the percentage of respondents in each decile varies widely across countries, with the unfortunate consequence that the effect on the probability of identifying with the Left when moving from one decile to the next is not comparable across countries. I therefore construct the somewhat crude but strictly comparable income variable.

The main interest lies in the coefficient and substantial effect of the interaction between *below the median* and *polarization*. I expect the interaction term to be negative: those with income below the median are less likely to identify with the Left when polarization is high. For analytical reasons, as discussed in the previous section, simply assuming that redistribution preference can be directly inferred from an individual's income is convenient. Nevertheless, I restrict the assumption that preference for redistribution is perfectly correlated with own income and measure redistribution preference directly by relying on a 10-point scale, *equality* (1 = we need larger income differences as incentives and 10 = incomes should be made more equal), as an alternative to *below median*. Unfortunately, as the *equality* question is not asked in pre-1990s surveys, using this variable leaves me with data from only 48 surveys.

I include a standard set of control variables that have been found important for income, redistributive preferences and political orientation: sex (*female*), age in years and its square term, level of *education* (dummy where 1 implies that the respondent had not finished her education at the age of 20), and whether the respondent is a *recipient* of government transfers. In addition, I construct an index capturing individual moral liberalism (*liberal*). The index is based on questions of whether the respondent finds homosexuality, divorce or abortion acceptable.⁶ I standardize the index to vary between 1 and 10. While this index is fairly narrow, I am restricted with regard to data availability. As an alternative, I measure individual moral liberalism indirectly, using a dummy of whether the respondent goes to church monthly (*churchgoer*), as previous research has found religious people to be less supportive of a generous welfare state (Scheve and Stasavage, 2006). Compared with *liberal*, *churchgoer* has the additional advantage of being considered fairly exogenous to *leftscale*.

Finally, I include a full set of survey dummies to make sure that the results are robust to unobserved survey-specific effects. Although including survey dummies implies that the direct effect of party polarization cannot be estimated, its

⁶As the abortion question is not asked in Denmark, the index for Denmark is based on only two questions.

interaction with income and equality can. I prefer a fixed effects approach to a multilevel model with a cross-level interaction between party polarization and equality for two reasons: first, the fixed effects approach effectively controls for omitted variable bias at the country level. Second, and most importantly, the theoretical interest in this paper concerns the interaction between polarization and equality, and, as just mentioned, the interaction effect can be estimated even when survey dummies are included.⁷

I lose approximately one-third of the respondents if I rely on listwise deletion to handle missing data. King *et al.* (2001) show that listwise deletion not only is inefficient but also might cause biased estimates when the number of missing observations is high. Thus, I follow the emerging convention in political science of relying on the Amelia program (King *et al.*, 2001; Honaker *et al.*, 2007) to impute missing data. Amelia generates a number of probable values on the missing observations and creates a number of complete data sets (i.e. with no missing observations) from which one can do one's analysis.⁸ All results presented in this paper are based on the analysis of the complete data sets. I use Clarify to combine the results from the five data sets (Tomz *et al.*, 2003).

After examining whether party polarization affects voter's left–right orientation, the paper moves to the macro-level to explore whether polarization interacts with pre-transfer inequality to explain redistribution. The macro-level data on inequality and redistribution are from the Fiscal Redistribution data set, version 2 (Mahler and Jesuit, 2006). The preferred measure of redistribution is the absolute difference in the pre-transfer (market income) and the post-transfer (disposable income) GINI coefficient. These GINI coefficients, which are based on household income, are adjusted for household size by the use of the standard OECD equivalence scale. Since I am interested in the effect of political competition, I prefer GINI coefficients based on the whole population (this variable is labelled *absred*) rather than restricting the analysis to the working age population. Simply put, I do not want to exclude a large and growing part of the electorate from the analysis (see Mahler, 2008, for a similar view). However, given relevant objections to this measure of redistribution,⁹ I also present results using a dependent variable where pensioners are excluded when calculating the amount of redistribution (this variable is labelled *absred2559*).

⁷See Iversen and Soskice (2001) for a similar approach.

⁸I set the number of imputations per missing observation to five, which is generally sufficient to express the fundamental uncertainty about the true values on the missing observations (Honaker *et al.*, 2007). A description of the variables and settings used in the imputation process is available upon request.

⁹Researchers who exclude pensioners justify this choice by arguing that generous pension systems discourage private savings, something that makes the elderly look extremely pre-transfer poor, with the consequence of 'exaggerating' the amount of redistribution (see Bradley *et al.*, 2003).

There is a discussion in the literature as to whether measuring redistribution in absolute or relative terms is most appropriate (Kenworthy and Pontusson, 2005). By using an absolute measure, I implicitly assume that a reduction in inequality from 0.3 to 0.25 is equal to a reduction from 0.15 to 0.1, while a relative measure ‘penalizes’ countries with large market inequalities. I explore how sensitive the results are to this choice (the relative measure is labelled *relred*). Finally, I also present results using the absolute reduction in the poverty rate (labelled *abspovred*) as an alternative measure of redistribution.

I choose to rely on the pre-tax, pre-transfer *income inequality* data from the Fiscal Redistribution data set rather than the wage inequality data from the OECD. The main advantage of the LIS data is that the unemployed, part-time workers, and those outside the labour market are included. The strongest objection to using the household-level data from LIS rather than the individual level data from the OECD is that traditional models of redistribution rely on individual income, not household income. Yet I argue that better comparability across countries outweighs this deviance from traditional models. Furthermore, household income is likely to be more important than individual income for voters’ economic policy preference. Nevertheless, the relationship between household income inequality and redistribution is different from the relationship between wage inequality and redistribution, and conventional wisdom from the comparative political economy literature says that there is a ‘Robin Hood-paradox’: those countries with the smallest wage inequalities are those countries which redistribute the most (e.g. Moene and Wallerstein, 2001). However, household inequality data from the LIS reveal a positive relationship between inequality and redistribution (Kenworthy and Pontusson, 2005; Mahler, 2008).

Using the top-quality LIS data leaves me with a total of 67 observations, unevenly spread across 13 countries (Australia, Belgium, Canada, Denmark, Finland, France, Germany, the Netherlands, Norway, Sweden, Switzerland, the UK and the USA) over the 1979–2004 period. There are no missing observations in this part of the analysis, hence imputation is not needed.

I include a range of control variables in the macro-level part of the analysis. I follow Kenworthy and Pontusson (2005) and Mahler (2008), who show that *voter turnout* is positively correlated with redistribution, presumably because the interests of the poor are better represented when voter turnout is high. Voter turnout data are measured as a percentage of the total number of persons eligible to vote, as reported in the International Institute for Democracy and Electoral Assistance’s (IDEA) online data base.¹⁰

¹⁰The data are from the preceding parliamentary election, except for the USA, where voter turnout from presidential elections is used.

To account for the effect of labour union collective action, I control for *union density*. I prefer union density to a measure of centralized wage bargaining because union density appears to have a more consistent effect on wage inequality (Rueda and Pontusson, 2000). It also has the advantage that it varies over time, so that its effect can be estimated in a model with country-fixed effects. The union density data are from the OECD.

The existence of unemployment compensation schemes in all included countries suggests that one has to control for the automatic increase in redistribution when *unemployment* increases. I rely on the standardized unemployment rates, as reported in Huber *et al.* (1997).¹¹ Similarly, I control for the percentage of the population *above* 65 years of age to account for the automatic increase in redistribution as the number of pensioners increases.¹² Finally, I include the real GDP per capita in logged form (*LnGdppc*; Heston *et al.*, 2006) to account for business cycle effects on redistribution.

The paper puts forward a binary representation of politics where it is assumed that a redistributive and liberal left competes against a laissez faire and social conservative right. This conceptualization is a simplification, especially in multiparty systems. Results from expert surveys of party positions on different dimensions show that this simplification is more justified for some countries than for others (Benoit and Laver, 2006). I address this potential problem in two ways. First, the results in Benoit and Laver (2006) show that a binary representation generally appears to be more justified in countries with a majoritarian electoral system. Thus, I control for electoral system in one of the specifications in the country level part of the analysis. Second, I explore how robust the results in the country level part of the analysis are to the strength of cross-class Centrist (typically Christian Democratic) parties. The existence of Christian Democratic parties reflects an institutionalization of a non-economic cleavage which might drive polarization, and which affects the coalition structure and therefore the amount of government expenditure (see Manow, 2009). Thus, the binary representation of politics is less accurate in countries with strong Centrist parties.

4. The empirical results

Table 2 presents the results from the voter-level analysis, with *leftscale* as the dependent variable. As *leftscale* is categorical, I estimate ordered logit models. A complete set of survey dummies is included but not reported for ease of

¹¹I supplement these data with a few observations from the original OECD data.

¹²These data are taken from Huber *et al.* (1997), supplemented with a few observations from the original OECD data.

presentation. Finally, results are weighted to account for the variance of sample sizes among countries.

Results given in Table 2 are in line with this paper's argument. Low-income voters are, not surprisingly, more likely to have a leftist political identity; however, they are less likely to identify with the Left if non-economic party polarization is high. To ease interpretation, I rely on the Clarify software (King *et al.*, 2006, Tomz *et al.*, 2003) to calculate predicted probabilities. The predicted probability that low-income voters identify with the Left¹³ is 60.8% when there is no party polarization.¹⁴ If, however, polarization is at its 90th percentile, the predicted probability is 3.3 percentage points lower. While pinpointing at what level an effect should be considered politically important is difficult, a change of this magnitude appears non-negligible.

In other words, moral polarization pulls low-income voters towards the Right. This conclusion holds whether I replace the individual moral index with a measure of religiousness (column 2) or relax the interest-based assumption that demand for redistribution is mainly driven by present income (columns 3 and 4).¹⁵

Note that all conclusions regarding the interaction term remain whether I run the analysis on the pre-Amelia data set (i.e. without imputing missing data), whether I run the analysis without survey weights or whether I estimate random effects models rather than fixed effects models.

The control variables yield some well-established results: those with liberal moral views, non-religious voters, the young and those receiving government transfers are more likely to identify with the Left. With regard to education, although those with high education levels are more likely to identify with the Left when I control for religiousness, the coefficient is insignificant (column 3) or even negative (column 1) when I control for liberal views. Education is weakly related to religiousness but strongly related to liberal views. Thus those with high education tend to identify with the Left because of their moral

¹³Predicted position on *leftscale* is six or higher.

¹⁴Control variables at their median score, survey dummies at their mean score.

¹⁵One reviewer objects to the inclusion of the *liberal* variable, presumably due to the endogeneity issue I mentioned in the previous section. The results in columns 2 and 4, where *liberal* is replaced by a more exogenous measure of individual moral views (*churchgoer*), suggest that the endogeneity bias introduced when including *liberal* does not influence the coefficient for the interaction term. Although I want to control for either *liberal* or *churchgoer* to make sure that the interaction term picks up an independent effect of party polarization, I nevertheless ran the model without any of these controls. The results are very similar to those reported in Table 2. The coefficient for 'below median \times polarization' is -0.007^{***} (0.003), while the 'below median' coefficient is 0.227^{***} (0.032). If I replace 'below median' with 'equality', the coefficient for 'Equality \times polarization' is -0.002^{***} (0.001) while the coefficient for 'Equality' is 0.176^{***} (0.006).

Table 2 Ordered logit estimates—the dependent variable is *leftscale*

	(1)	(2)	(3)	(4)
Below median × polarization	−0.008** (0.003)	−0.006* (0.003)	−0.002** (0.0006)	−0.002** (0.0006)
Equality × polarization	0.277** (0.033)	0.229** (0.018)	0.179** (0.007)	0.176** (0.006)
Below median			0.141** (0.004)	
Equality	0.142** (0.004)			
Liberal				
Churchgoer		−0.637** (0.016)		−0.611** (0.021)
Female	−0.005 (0.014)	0.084** (0.014)	−0.027 (0.019)	0.063** (0.019)
Age	0.003 (0.002)	0.004 (0.003)	0.002 (0.003)	0.005 (0.003)
Age-squared	−0.0002** (0.00001)	−0.0002** (0.00002)	−0.0001** (0.00003)	−0.0002** (0.00003)
Education	−0.036* (0.018)	0.080** (0.018)	0.004 (0.021)	0.120** (0.021)
Recipient	0.272** (0.025)	0.250** (0.025)	0.248** (0.028)	0.219** (0.028)
No. of observations	83 775	83 775	57 461	57 461
No. of surveys	61	61	41	41
Pseudo- R^2	0.02	0.02	0.03	0.03

Notes: Robust standard errors in parentheses; *significant at 5%, **significant at 1%.

A full set of survey dummies is included in all models. Results are weighted to account for varying sample sizes between countries. Missing data imputed by Amelia. Data sets combined using Clarify.

views. Finally, a complex relationship exists among gender, religiousness, liberal views and leftism, as the gender effect is negative but insignificant when controlling for liberal views but positive when controlling for religiousness. Examining the bivariate relationships between these variables reveals that these results occur because women are more religious than men, yet slightly more liberal.

The paper has established that low-income voters are less likely to have a political orientation in line with their economic interest in countries with fierce party competition on a non-economic dimension. The paper argued in Section 2 that one implication of this finding is that party polarization should be associated with governments' being less responsive to increases in inequality: redistribution should be less sensitive to increases in inequality in countries where party competition is centred on non-economic issues because the pressure for redistribution is smaller. The remainder of the paper explores whether this is so.

Table 3 presents the results of the empirical analysis of whether redistribution depends on the interactive relationship between pre-transfer inequality and political polarization. The conventional practice in the comparative political economy literature is to estimate panel-corrected standard errors to account for heteroscedasticity and cross-sectional correlation of errors. However, the properties of corrected standard errors when the number of panels and time periods is as small as in this case (13 panels, 5 time periods on average) are unclear. Wallerstein and Moene (2003) conduct a simulation study on data sets with a structure similar to mine and find that uncorrected standard errors fare better than panel-corrected standard errors. Thus, uncorrected standard errors are reported in Table 3.

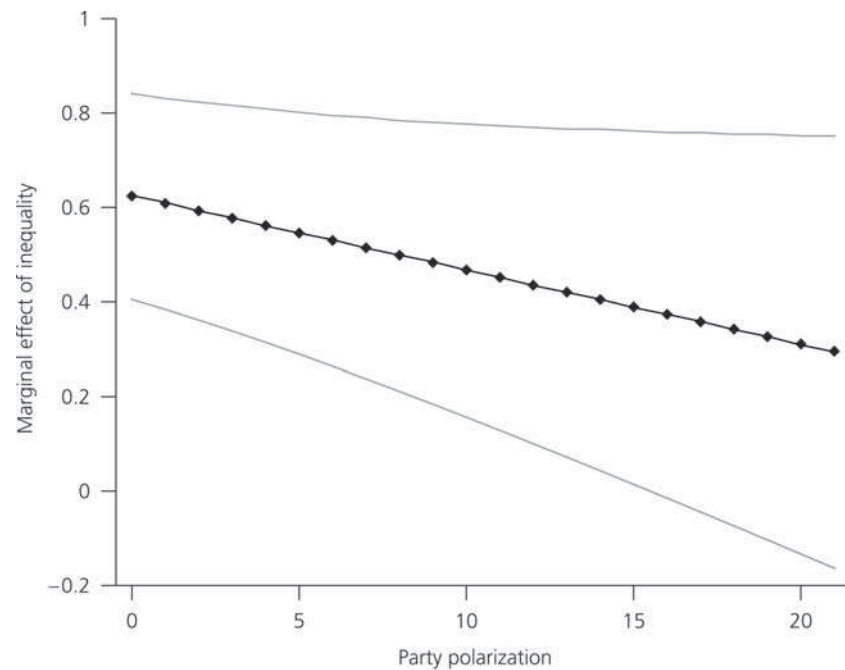
Columns 1–4 in Table 3 are fixed effects models with different measures of redistribution. Including country-fixed effects has the advantage of removing the effect of institutional differences (e.g. electoral system, wage bargaining institutions) that affect redistribution but do not change substantially during the period observed.

In line with this paper's argument, the interaction between inequality and polarization is negative in all models. The *t*-value of the interaction term is between 1.88 (column 2) and 2.35 (column 4). To ease interpretation, Figure 1 is a graph of the marginal effect (and its 95% confidence interval) of inequality at relevant levels of polarization. As Figure 1 shows, the marginal effect decreases with polarization and becomes insignificant when polarization is sufficiently high. However, only 10% of the sample has a polarization level of a magnitude that renders inequality insignificant. Yet, in line with the work of Roemer *et al.* and Alesina and Glaeser, these results show that distancing themselves from the Left on non-economic issues might be an efficient strategy for anti-redistributive rightist parties wishing to reduce the extent of redistribution.

Table 3 Linear regression results

	(1) <i>absred</i>	(2) <i>absred2559</i>	(3) <i>relred</i>	(4) <i>abspovred</i>	(5) <i>absred</i>	(6) <i>absred</i>
Inequality × polarization	−0.016* (0.008)	−0.011* (0.006)	−3.74* (1.873)	−6.575** (2.794)	−0.015* (0.008)	−0.019* (0.011)
Polarization	0.007* (0.004)	0.004* (0.002)	1.683** (0.838)	2.911** (1.250)	0.006* (0.004)	0.008* (0.005)
Inequality	0.624*** (0.109)	0.449*** (0.089)	62.898** (25.475)	80.139*** (37.997)	0.693*** (0.109)	0.361*** (0.133)
Voter turnout	0.0003 (0.0005)	0.0004 (0.0004)	0.049 (0.112)	0.130 (0.167)	0.001*** (0.0003)	0.0001 (0.0002)
Unemployment	0.002** (0.001)	0.003*** (0.001)	0.402** (0.001)	0.379* (0.272)	0.002*** (0.001)	0.002* (0.001)
Above 65	0.0001 (0.003)	−0.001 (0.002)	0.008 (0.668)	−0.028 (0.937)	0.002 (0.002)	0.003* (0.002)
Union density	−0.048 (0.041)	−0.037 (0.035)	−15.713 (9.506)	−11.063 (14.179)	0.034 (0.021)	0.041*** (0.041)
Ln(Gdppc)	−0.031 (0.020)	−0.009 (0.019)	−6.933 (4.756)	−1.642 (7.094)	−0.027* (0.015)	−0.032** (0.015)
Majoritarian					−0.045*** (0.011)	
Absred t − 1						0.531*** (0.079)
Observations	67	67	67	67	67	54
Countries	13	13	13	13	13	13
Country FE	Yes	Yes	Yes	Yes	No	No
R ²	0.72	0.74	0.34	0.23	0.85	0.88

Notes: Standard errors in parentheses; * significant at 10%, ** significant at 5%, *** significant at 1%; within R² when FE, overall R² when RE.



Note: The grey lines represent bounds for 95% confidence intervals.

Figure 1 Marginal effect of inequality on redistribution at different levels of party polarization.

With regard to the effect of control variables in columns 1–4, the most interesting finding from a political science perspective is the insignificant effect of voter turnout. Despite the income skew of voting, an increase in voter turnout does not increase the redistribution. While this finding is at odds with recent research using the same data (Kenworthy and Pontusson, 2005; Mahler, 2008), those articles do not include country-fixed effects. In other words, the effect of voter turnout in those articles seems to be driven by unobserved country-specific effects, an interpretation which is confirmed by the significant effect of voter turnout in the random effects model in Column 5. Moreover, the finding here is in line with the results from a recent special issue of *Electoral Studies* which concludes that there is no partisan bias in low voter turnout (see in particular Fisher, 2007).

The consistently negative, yet never significant, coefficient for union density is somewhat surprising. It might capture a business cycle effect if union density increases in economic upturns. Unemployment is the only control variable significant at conventional levels in the fixed effects models: as expected, redistribution increases when unemployment increases because unemployment insurance schemes redistribute income.

Iversen and Soskice (2006) show that redistribution is systematically lower in countries with *majoritarian* electoral systems, presumably because the electoral system systematically affects the party choice (coalitional incentives) of the middle class (the middle class party) and the electoral success of the Left. Moreover, the degree of party polarization might depend on the electoral system, as the centripetal forces are claimed to be stronger in majoritarian electoral systems (Cox, 1990). Finally, the binary representation of politics which informs this article appears to be more justified in countries with majoritarian electoral systems (Benoit and Laver, 2006). For these reasons, one would like to know whether the results are sensitive to a control for electoral system. I follow Iversen and Soskice's classification of countries into the majoritarian or the non-majoritarian camp. As the electoral system does not change in any of the countries in my sample during the observed period, I cannot include country-fixed effects.

The results appear in Column 5. As expected, while the electoral system is a strong predictor of redistribution, the moderating effect of party polarization on redistribution is robust to this inclusion. Thus, the effect of polarization is not simply an effect of the electoral system. Although the negative effect of economic development at first appears counter-intuitive, Bradley *et al.* (2003) report the same finding. In a sample of countries where all have extensive income support programmes, GDP per capita probably captures a business cycle effect: the automatic increase in redistribution via welfare programmes is smaller when the economy is booming because fewer people need income support.

A newly elected government cannot completely change the amount of redistribution when they take office, because they are constrained by the decisions of previous governments. In other words, redistribution at time t is correlated with redistribution at time $t - 1$. Although including a lagged dependent variable is quite common in the literature, this practice has recently come under criticism, mainly for being theoretically uninteresting (the trend should be modelled rather than controlled for) and for implicitly assuming divergence between countries (Plümper *et al.*, 2005). Despite these reservations, in column 6 I replace country-fixed effects with the lagged-dependent variable. The number of observations falls with the number of panels because I do not have a lagged-dependent variable for the first period.

As the results in column 6 show, redistribution in the previous period is strongly correlated with the present level of redistribution. Despite the small sample size, the interaction term remains significant at the 10% level. Moreover, the effect of inequality is reduced by almost 50%, while some familiar results emerge, i.e. a positive effect of an ageing population and a positive effect of union density.

As an additional robustness check, I experimented with period dummies (for 1979–1984, 1985–1989, 1990–1994, 1995–1999 and 2000–2004), yet *F*-tests consistently rejected the necessity of correcting for time effects. I also included additional control variables, including the percentage of cabinet seats held by Centrist parties (Armingeon *et al.*, 2006) to account for the cross-class nature and potentially polarization-driving effect of Centrist parties, the percentage of cabinet seats held by Right parties (Armingeon *et al.*, 2006) and female labour force participation rates (Huber *et al.*, 1997). The interaction term is robust to these inclusions. Finally, the interaction term is significant at the 5% level if I estimate the model in column 1 with OLS and panel-corrected standard errors; however, remember Wallerstein and Moene's (2003) objections with respect to the properties of panel-corrected standard errors when there are few panels and time periods. As an alternative, one might estimate standard errors that are robust to within-country clustering of errors, although this adjustment is generally not recommended when the number of panels is as small as it is in my case (Kezdi, 2004). The interaction term is significant at the 10% level if I estimate the model in column 1 with robust standard errors adjusted for country clustering.

5. Conclusion

Why are some countries and governments more responsive to increases in inequality than others? This paper has argued that political competition on non-economic issues is part of the answer. More specifically, the paper followed the work of Przeworski and Sprague and Roemer and expected low-income voters to be less homogeneous with respect to political orientation in countries with strong non-economic party polarization. Moreover, the paper argued that in so far as low-income voters are less homogeneous when political parties compete on non-economic issues, party polarization should moderate the government's response to increases in inequality, simply because the demand for redistribution is smaller when low-income voters have a political orientation less in line with their economic interest.

The paper relied on a range of comparative data sources in demonstrating the empirical validity of the arguments. Using survey data from the WVS and data on party programmes from the CMP, it showed that low-income voters and egalitarian voters are less likely to identify with the Left when party polarization is high. In other words, non-economic polarization moves egalitarians towards the Right. In the second part of the empirical analysis, the use of data from the LIS showed that the positive effect of increases in pre-transfer inequality on the amount of redistribution decreases with party polarization.

The paper has some weaknesses that should motivate future research. First, the assumption that political competition is between a Left and a non-Left bloc is a

common yet strong simplification. While I have shown that the results are robust to a control for electoral system, future research might examine the relationships between electoral system and party polarization in more depth. Second, I rely on an objective measure of party polarization and assume that it accurately depicts the actual political landscape. However, subjective measures of party polarization based on survey data constitute an alternative way of measuring polarization, an approach that in some cases might be closer to the actual political conflicts than one can observe in political programmes. Third, while the measure of redistribution used in this paper is very precise, some might argue that the distance between such a measure of redistribution and actual political decisions is too great. Data that measure actual policy change where the intention (and the consequence) of the policy change is to increase redistribution will presumably reduce the distance between the dependent and independent variables. Finally, although I rely on a theory of party competition in which party positions are partly exogenous (Przeworski–Sprague), future research should more specifically explore what drives party polarization.

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Chapter 5:
What Parties Are and What Parties Do:
Partisanship and Welfare State Reform in an Era
of Austerity

What Parties Are and What Parties Do: Partisanship and Welfare State Reform in an Era of Austerity

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and

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Abstract

The New Politics perspective holds that there is no room for partisanship to matter for welfare state policies in the present “Era of Austerity”. Proponents of power resources theory disagree. Our main contribution in this paper is to show how an emphasis on the actual degree of ideological polarization between left and right can move this debate forward. In essence, the disagreement regarding the role of partisanship is 1) over the degree of party polarization, 2) whether party polarization on redistributive issues still mobilizes voters to vote in accordance with their economic interest, and 3) whether political parties are able to make their ideologies count in the post-electoral arena. Combining data from the Comparative Manifesto Project, the World Values Survey and Scruggs’ data on welfare state entitlements, we show 1) that there is no general decline in party polarization, 2) that high levels of party polarization are associated with stronger income stratification of the vote, and 3) partisan ideology matters for changes in welfare state generosity.

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1 Introduction

Pierson (1994, 1996, 1998) argues that we live in an “era of austerity” in which partisan differences in government have little influence on the direction and scope of welfare state reform. Pierson’s claim of a “New Politics of the welfare state” has sparked a lively debate because his argument stands in glaring contrast to one of the most influential theoretical perspectives on welfare state development: power resources theory. Power resources theory argues that the political mobilization of the lower socio-economic strata, manifest in the electoral success of Social Democratic parties and their allies, has been, and still is, of paramount importance for welfare state development (Korpi, 1978, 1983; Korpi and Palme, 2003; Stephens, 1979; Bradley et al., 2003). The studies by Korpi and Palme (2003) and Allan and Scruggs (2004) represent the most convincing quantitative assessments of Pierson’s argument. Both show that government partisanship — measured as the share of cabinet seats held by parties that belong to the left or right camp — continues to be important for welfare state development.

We propose to move the debate between the new politics and power resources perspectives forward by focusing on the actual ideological difference, or polarization, between the left and right. A proper assessment of the competing claims put forward by proponents of each perspective requires us to distinguish between the historical identities of parties — what parties *are* — and the appeals that contemporary parties make — what parties *do* (Mair, 1997). While the studies by Korpi and Palme (2003) and Allan and Scruggs (2004) are both significant contributions to the debate, they, by merely focusing on the policy consequences of left party government participation, implicitly collapse what parties are and what parties do.

Acknowledging, as we do, that the appeals that parties make will vary across time and space has several advantages. Firstly, we would only expect government partisanship to matter for welfare state development to the extent that different parties actually appeal to different socio-economic strata, that is, only if the policy platforms of left and right parties diverge. If, instead, the ideological polarization between the competing parties is negligible, we should not expect partisanship to matter. In other words, we expect the policy consequences of the share of cabinet seats held by left parties to depend on the distinctiveness of

their class appeal. Although this insight might seem trivial, it is not captured by Korpi and Palme (2003) or Allan and Scruggs (2004).

Secondly, we explore how party polarization on the redistributive dimension has evolved over time. Pierson suggests that party polarization has become too small to matter due to the popularity of the welfare state, or that parties are too constrained by economic forces to make their ideology count in the post-electoral arena. Our approach makes it possible to distinguish between these two arguments. For instance, we may find that party positions are still polarized, but government partisanship does not matter for policy outcomes.

Thirdly, we examine an important assumption of power resources theory, namely that vote choice is stratified by socio-economic status. As we have already intimated, the validity of this assumption is likely to depend on the extent to which different parties actually appeal to different socio-economic strata. Specifically, we only expect this assumption to hold if the platforms of left and right parties are polarized over the issue of redistribution. Whether vote choice is still organized around class is contested in the voting literature (Evans, 2000), yet we are not aware of any studies that directly examine whether party polarization on the economic dimension is associated with the level of income stratification of the vote (but see McCarty, Poole and Rosenthal, 2006; Dalton, 2008; Vernby and Finseraas, 2009). Although Pierson emphasizes the constraining role of the popular support of the welfare state on party policies, he suggests that support for the welfare state is mainly organized along dimensions other than class.

We utilize data from three comparative data sets to examine the importance of party polarization for vote choice and welfare state change in 18 OECD countries. Data from the Comparative Manifesto Project (Budge et al., 2001; Klingemann et al., 2006) are used to measure party polarization on the redistributive dimension, data from the World Values Survey allow us to explore whether party polarization is associated with stronger income stratification of the vote, and Scruggs' (2004) Comparative Welfare Entitlements Data set is used to explore whether the partisan effect on welfare state reform depends on the degree of party polarization.

Our findings are easy to summarize. Firstly, party polarization did not decline between the beginning of the 1970s and 2003. Secondly, our analysis of vote choice in the late 1990s (i.e. the "era of austerity") shows that party

polarization is associated with a stronger income stratification of the vote. Thus, the power resources theory’s depiction of electoral politics continues to be valid. Lastly, we demonstrate that, given a sufficiently high level of party polarization, center/right governments continue to have a negative impact on welfare state development. In sum, none of our results support Pierson’s claim that we live in an era characterized by a new politics of the welfare state.

The rest of the paper proceeds as follows: the next section reviews the debate over partisanship and shows how this paper contributes to the existing literature, section three introduces the data and empirical strategy, section four presents the empirical results, and section five concludes.

2 Partisanship, Party Polarization and Welfare State Restructuring

Power resources theory is widely regarded as the leading perspective in the comparative literature on welfare state development. The core argument of the theory is that relatively disadvantaged actors in the labor market are likely to attempt to combine in the market and political spheres to modify market outcomes, while employers will oppose this effort (Korpi, 1978, 1983; Stephens, 1979).¹ The outcome of the struggle in the political arena determines the generosity of welfare arrangements. And since left parties are seen as the prime defenders of disadvantaged actors in the labor market, the generosity of welfare arrangements is expected to vary with left party strength. Hibbs (1977) is an early contribution which identifies a relationship between group preferences, partisanship and macro-economic policy, while Huber and Stephens (2001) provide quantitative and qualitative evidence regarding the importance of partisanship for the historical development of welfare states.

In a series of seminal publications, Pierson (1994, 1996, 1998) claims that although partisanship played a major role in the development of the welfare state, we have now entered an “era of austerity” in which partisanship has

¹See Swenson (1991) for an early critique of the notion that employers always oppose welfare state programs. Getting a better understanding of employers’ welfare state preferences has been an important mission of the so-called Varieties of Capitalism (VoC) perspective (see Estevez-Abe, Iversen and Soskice, 2001). See also Korpi’s (2006) critique the VoC perspective and Iversen and Soskice’s (2009) response to Korpi.

ceased to play an important role. In contrast to the golden era of welfare state expansion, which according to Pierson (1996) ended with the oil crisis in the 1970s, the era of austerity is characterized by a slowdown of economic growth, higher levels of unemployment, and demographic changes. In this context, the room for partisanship maneuver has shrunk, and Pierson argues that special interest organizations have emerged as the main defenders of the welfare state status quo.

Not surprisingly, Pierson's claims have sparked a heated debate and inspired numerous journal publications. We do not review this literature here (see, e.g., Starke, 2006), but, since the publication of the empirical studies by Korpi and Palme (2003) and Allan and Scruggs (2004), power resources theory seems to have the upper hand in the debate.²

Previous research on partisanship and the welfare state has solely focused on the strength of left or right parties in government and whether it matters for welfare state policy change. This is problematic if one agrees with Mair (1997) that we need to distinguish between what parties *are* — referring to the historical identities of political parties — and what parties *do* — referring to the appeals contemporary parties make. Previous research has mainly been concerned with what parties are, counting the number of cabinet seats held by Social Democratic and (former) Communist parties and studying the policy consequences thereof. However, there are a variety of reasons why one might expect political platforms and, hence, the distinctiveness of parties' class appeal, to vary across time and space. In formal theories of political competition, one often emphasizes politicians' information about voter preferences and the strength of partisan activists within the political parties (see, e.g., Persson and Tabellini, 2000; Roemer, 2001). In general, researchers taking a long-term historical perspective have emphasized the importance of the economic, social and political environment in shaping the appeals parties make (see, e.g., Przeworski and Sprague, 1986; Kitschelt, 1994).

Recognizing that the appeals that parties make and, hence, which socio-economic strata they seek to mobilize and represent, may vary across time and

²However, the power resource perspective's claim that left strength in parliament simply reflects working class mobilization has been seriously challenged. Iversen and Soskice (2006) argue that left or right dominance in government is largely due to the electoral system: PR systems benefit left-center coalitions, while majoritarian electoral systems benefit right-leaning government.

space allows us to explore the disagreement between the new politics perspective and the power resource perspective in more depth than has been done in the previous literature. In essence, the disagreement between the two approaches concerns the following: 1) the secular trend in party polarization, 2) the issue of whether party polarization over redistribution continues to mobilize voters around their economic interest, and 3) the question of whether ideological polarization, as it manifests itself in parties' programmatic appeals, actually translates into real policy differences between left and center/right governments. We address all three issues in this paper.

The degree of party polarization. Although the main argument underpinning Pierson's claim of a new politics of the welfare state is that political parties have lost the ability of making their ideology count in the post-electoral arena, he nonetheless frequently relies on the assumption that the popularity of the welfare state makes retrenchment an untenable position for any political party. According to the formal literature on political competition, even politicians whose ideologies differ are unlikely to take very different positions if they are highly informed about voter preferences on a specific issue (see, e.g., Persson and Tabellini, 2000, chapter 5). In other words, if Pierson is correct, partisan polarization should have declined over time.³ Below we rely on data from the Comparative Manifesto Project to explore whether polarization has decreased since the 1970s.

Party polarization and mobilization of low income voters. Although the extent to which voters are mobilized around their economic interest has been, and still is, an important topic in the voting literature, it has been largely neglected in comparative welfare state research (but see Cusack, Iversen and Rehm, 2006).⁴ The neglect of the issue of whether vote choice is stratified by

³We agree with Kwon and Pontusson (2005) that a widely popular status quo is more likely to cause an across-the-board leftward shift in the political gravity than a decline in polarization. Of course, a decline in polarization does not rule out an across-the-board leftward shift of the political spectrum; however, while an across-the-board shift should affect the long-run development of the welfare state, it does not imply a disappearance of partisan effects as Pierson advocates. If partisanship has ceased to play a role, it has to be because polarization has declined or because parties cannot make their ideology count when in power.

⁴Hibbs (1977) is an early exception, as he presents public opinion data to empirically support his notion that aversion to unemployment and inflation varies among socio-economic groups in a manner consistent with his partisan argument.

socio-economic status is unfortunate, because it concerns a central assumption of power resources theory and other partisan theories. In the words of Korpi and Palme (2003, 427), “citizens relatively disadvantaged in terms of economic resources and relying primarily on their labor power are likely to attempt to combine in the sphere of politics to modify outcomes of, and conditions for, distributive processes on markets. To a substantial degree welfare states in the twentieth century can be seen as outcomes of such efforts”.

Because left political parties are seen as defenders of the interest of the lower economic strata we expect them to be supported by low-income voters. However, as Przeworski and Sprague (1986) has argued, class is “no natural organizing principle of politics”, i.e. voters have to be mobilized on class identity by political actors. Korpi (1983, 23-25) also acknowledges the possibility of “goal-displacement” within the left political parties. Although the extent to which parties appeal to voters on the basis of the latter’s socio-economic status, rather than e.g. their religion or ethnicity, depends on a range of factors, the power resources perspective holds that distributive strife is about the mobilization of the socio-economic cleavage (Korpi, 2006).

The degree of party polarization on redistributive issues can be considered as the most significant indicator of to what degree parties try to mobilize voters based on their economic interest. We believe that the causal mechanism of the power resources theory is severely weakened if partisan conflict over redistribution does not affect voter mobilization along class lines. While class mobilization is the core assumption of the power resources perspective, Pierson argues that welfare state support is organized around interest groups rather than political parties. Moreover, there is a large, yet contested, literature on voting behaviour that identifies a decline in class voting (Clark and Lipset, 1991) and in the saliency of redistributive issues for vote choice (Inglehart, 1990). Thus, we believe that an analysis of partisan effects on welfare policy will benefit from examining its micro-level assumptions.

The appendix includes a simple formal model of vote choice to illustrate why party polarization on a redistributive dimension increases the income stratification of the vote.⁵ The model’s assumptions about parties, party competition

⁵To simplify, we follow the tradition of formal political economy and draw no distinction between income and class, although we admit that this simplification does injustice to the sociological class literature.

and elections are closely associated with the partisan model presented in chapter 5 of Persson and Tabellini (2000), while the preference formation part of the model is inspired by Iversen and Soskice’s (2001) asset theory of social policy preferences. The take-home message of the model is simple: everything else being equal, but given the reasonable assumption that the risk of income loss is lower for the rich than the poor, the probability that a poor (rich) voter will vote for the left party increases (decreases) with the relative generosity of the left platform, simply because preferred level of generosity is declining with level of income. In other words, the income stratification of the vote increases with polarization.

There is not much empirical research conducted on this issue, however — consistent with the model just outlined — McCarty, Poole and Rosenthal (2006) find that US income stratification of the vote has increased at the same time as party polarization has increased, and Dalton (2008) finds that party polarization increases “ideological voting”. Moreover, also consistent with the logic of the model, Finseraas (2009) finds that income stratification along the subjective left-right dimension is weaker when party polarization along a non-economic dimension is strong. Below we rely on data from 18 OECD countries and estimate Probit regressions to test the expectation that party competition over redistribution is important for left party mobilization of low-income voters.

Party polarization and welfare state change. While party polarization might still be visible in the electoral arena and still mobilizes voters around their economic interest, it is an entirely different issue whether parties are able to make their ideology matter in the post-electoral arena. Pierson believes that the room to maneuver is too small to allow partisan differences to matter: the slowdown of economic growth makes it too difficult for left parties to implement their proposed expansion, while the large coalition in favour of the status quo makes it too difficult for right parties to retrench welfare arrangements. As noted in the introduction, previous research has found that the strength of left/right parties in government still matters (Allan and Scruggs, 2004; Korpi and Palme, 2003). We add to this literature by distinguishing between governments in which partisanship should not matter much because the ideological polarization is small, and governments in which partisanship should matter a lot. Below we rely on time-series cross-sectional data from 18 OECD countries to analyze how the effect of center/right strength in government on welfare state

change depends on polarization.

3 The Data

We rely on data from the Comparative Manifesto Project (CMP) (Budge et al., 2001; Klingemann et al., 2006) to measure the degree of party polarization. These data have been criticized (e.g. Benoit and Laver, 2006, 66-67), however, it has been shown that there is a high level of correlation between the CMP data and its alternatives (Volkens, 2007). More importantly, the CMP data is the most comprehensive data source on party positions, and the only available source to test hypotheses requiring longitudinal data.

Our approach to the measurement of party polarization is similar to that of Bartolini and Mair (1990, 196-201). First we assign a redistribution policy score to all parties with seats in the parliament based on ten variables in the CMP data set that are clearly related to the distribution of income in a society: favourable mentions of free enterprise capitalism, need for incentives, need for market regulation, need for government control of the economy, need for traditional economic orthodoxy, need for social justice (fair distribution of resources), positive references to welfare expansion, positive references to welfare limitation, positive references to labour groups and negative references to labour groups. We conducted a principal-component factor analysis to confirm that these variables load on the same underlying dimension. Next, we assign the political parties to a left or non-left party bloc based on the CMP's party classifications, and calculate a left and non-left bloc score on redistribution. We weight the importance of each party based on their percentage of total seats within the respective bloc to make sure that the scores are not unduly influenced by extreme parties with small influence in parliament. Finally, we calculate the polarization scores as the absolute difference between the left and the non-left bloc score. In other words, the higher the score, the stronger the degree of polarization.

Table 1 reports descriptive statistics for the redistribution polarization scores used in the analysis. With regard to validity, it is reassuring that all mean scores are positive, i.e. the left bloc generally proposes more redistribution than the right bloc. There are, however, a few negative scores, but only 31 of 574 observations (5 percent) are negative. Nineteen of the 31 negative scores are

from Japan, while the rest are from Finland (4), New Zealand (3), Sweden (3) and the United States (2).

Table 1: Party polarization on redistributive issues.

Country	Obs.	Mean	St.dev.	Min.	Max.
Australia	32	28.2	10.7	8.0	62.4
Austria	32	24.0	9.8	6.7	41.8
Belgium	32	13.2	8.1	1.5	25.3
Canada	32	13.4	8.4	0.6	24.6
Denmark	32	30.0	7.6	16.2	42.9
Finland	32	13.7	13.9	-5.1	40.8
France	32	24.6	9.8	10.2	42.3
Germany	30	15.9	5.3	8.3	23.7
Ireland	32	18.2	8.6	2.8	31.3
Italy	32	9.4	6.2	2.1	17.2
Japan	32	2.9	9.1	-10.3	24.7
The Netherlands	32	15.5	7.6	5.5	29.4
Norway	32	18.2	3.6	14.8	27.1
New Zealand	32	12.4	10.7	-3.1	28.4
Sweden	32	22.9	13.3	-8.5	39.6
Switzerland	32	23.8	7.5	14.0	37.9
The United Kingdom	32	20.1	13.8	3.8	40.0
The United States	32	16.8	6.8	-1.9	25.1

Own calculations based on data from the Comparative Manifesto Project.

We test our argument about the effect of party polarization on the income stratification of *left party support* using survey data from the third round of the World Values Survey (WVS). Our dependent variable is based on the question of what party the respondent would vote for as her first choice. We have recoded this question into a dummy variable where 1 equals left party support and 0 equals all other choices, including “will not vote”. Green parties are coded as leftist. A complete list of all parties coded as left is reported in the Appendix.

WVS reports income as a ten-category scale. The code book claims that the categories represent income deciles, however, an inspection of the data clearly reveals that they do not. For instance, only two UK respondents are in the tenth income decile. To get a income variable that is comparable across countries, we recode the income variable into three categories, where the cut-points between the categories are country specific: the 25 percent with the lowest incomes are coded as 0, the 25 percent with the highest incomes are coded as 2, while the 50 percent in between are coded as 1. We interact the income variable with

polarization to explore how the the effect of income on vote choice depends on polarization.

We control for sex (*female*), *age* in years and its square term, *education* level (dummy where 1 implies that the respondent had not finished her education at the age of 20), whether the respondent is a *recipient* of government transfers, and whether the respondent is a *churchgoer*, defined as participation in religious ceremonies on a monthly basis. We consider churchgoer as a fairly exogenous proxy for non-economic bias in direction of the non-left bloc. Apart from churchgoer, the control variables capture some of the individual level variation of risk of income loss.

Furthermore, we include country dummies to make sure our results are robust to unobserved country specific effects. We prefer this approach to a multi-level model with cross-level interaction between party polarization and income for two reasons. Firstly, the fixed effects approach effectively controls for omitted variable bias at the country level. Secondly, and most importantly, our theoretical interest concerns the interaction between polarization and income, and we are perfectly able to capture the interaction effect in fixed effects models.

We will lose approximately one third of our observations if we rely on listwise deletion to handle missing data. King et al. (2001) show that listwise deletion is inefficient and might cause biased estimates when the number of missing observations is as high as it is in our case, and they argue that multiple imputation is a better way to handle missing data. In contrast to listwise deletion, multiple imputation techniques do not assume that the data is missing completely at random, but rely on the weaker assumption that missing data can be predicted using the available information in the data set (King et al., 2001). We rely on the Amelia program (Honaker, King and Blackwell, 2007) to impute missing data. Amelia generates a number of probable values on your missing observations and thus creates a number of “complete” data sets from which you can do your analysis.⁶ All results presented in this paper are based on the complete data sets.

⁶We set the number of imputations per missing observation to five, which is generally sufficient to express the fundamental uncertainty about the true values on the missing observations (Honaker, King and Blackwell, 2007). This means that we get five “complete” data sets from which we can do our analysis. We combine the results from the five data sets using the procedure in Honaker et al. (2007). A description of the variables and settings we used in the imputation process is available upon request.

In the second part of the empirical analysis we test the argument that the partisan effect on welfare generosity will depend on the degree of party polarization. We rely on Scruggs' (2004) welfare benefit *generosity* scores to measure the generosity of welfare programs. The construction of this variable follows the spirit of Esping-Andersen (1990), and is based on the net income replacement rates,⁷ while also taking coverage,⁸ the length of qualifying periods, and duration of benefits into account. Scruggs (2008) demonstrates that generosity levels are strongly correlated with the degree of redistribution, and more so than spending data. The advantage of the *generosity* index compared to spending data, and even compared to direct measures of redistribution such as the GINI-based measures of Mahler and Jesuit (2006), is that changes in *generosity* is more closely related to political decisions, or, perhaps more precisely, less affected by business cycle effects.⁹ Following Allan and Scruggs (2004), we focus on the generosity of unemployment and sickness programs.¹⁰

Figure 1 shows that the general increase in welfare state generosity leveled off in the early/mid-1980s and has been fairly stable since then. There is, however, considerable cross-country variation in this pattern (see Scruggs, 2006).

The partisan effect is captured by the percentage of cabinet posts held by right parties, plus the percentage of cabinet posts held by center parties if the government was a center-right coalition government (*Right/Center*) (Armingeon et al., 2006). The inclusion of posts held by center parties is necessary due to the left versus center-right logic that the paper builds on. If anything, this inclusion is biased against finding partisan effects on welfare policy, given the pro-welfare state position of some center parties (Manow, 2009). The percentage of cabinet posts is weighted by days in office to account for changes in government within a calendar year.

We include a set of control variables typically included in studies of welfare state generosity: percentage of the population above 65 years of age (*el-*

⁷I.e., details of the taxation of benefits are taken into account when calculating the replacement rates, which is important because to what degree benefits are taxed varies across countries.

⁸I.e., the size of the workforce covered by the various programs.

⁹I.e., increases in social spending are caused by economic downturns rather than political decisions to improve the level of generosity.

¹⁰Scruggs (2004) also presents a generosity index for pensions, however, changes in current pension replacement rates typically reflect changes in policy decisions made years earlier (Allan and Scruggs, 2004, 499).

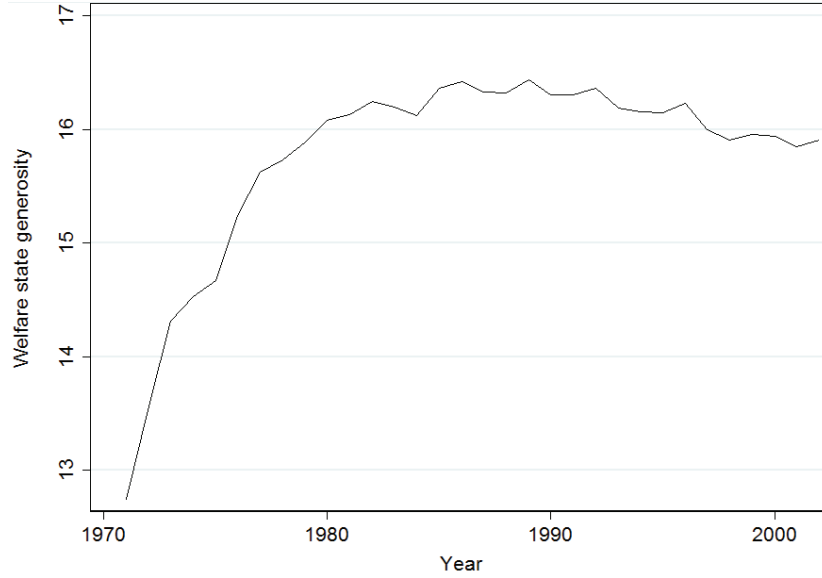


Figure 1: Mean score on *generosity*, 1971-2002.

derly)¹¹, the *employment* ratio¹², *voter turnout*¹³, *union density*¹⁴ and *economic growth*.¹⁵ Moreover, we include the initial level of benefit generosity (*generosity level*) to account for the fact that changes in generosity depends on level of generosity (Allan and Scruggs, 2004). Finally, we include year fixed effects, partly to account for the pre-1985 general trend in generosity (evident in Figure 1), and country fixed effects to account for non-varying country specific factors that affect generosity, for instance electoral system, wage-setting institutions and number of veto points. However, we also explore the robustness of our results to the inclusion of these institutional variables.

We lag the independent variables by one year because “there is ample evidence from our data collection that changes in benefits (or taxes) were announced a year before they went into effect or before their effect was measured”

¹¹OECD data as reported in Armingeon et al. (2006)

¹²Civilian employment as percentage of population between 15-64 years. OECD data as reported in Armingeon et al. (2006).

¹³Data from the Political Data Yearbook as reported by Armingeon et al. (2006).

¹⁴Active members (excluding the unemployed and retired) as a share of employment. The original source is Ebbinghaus and Visser (2000) and Golden, Lange and Wallerstein (1997) as reported in the online data set accompanying Franzese and Hays (2008).

¹⁵Growth of real GDP. OECD data as reported in Armingeon et al. (2006).

(Allan and Scruggs, 2004, 505).

4 Empirical results

Figure 2 shows the mean polarization scores for each year in the analysis. Although polarization fluctuates over time, there is no obvious trend of decline. Figure 3 shows polarization scores for each country. Although there seems to be a decline in polarization in Austria and the Netherlands, the figure supports the impression from Figure 2 of no general decline in polarization over time. While this does not imply that actual post-electoral policies differ, it does imply that voters face different party platforms with regard to redistribution. Obviously, Figure 2 contradicts an interpretation of Pierson where partisanship has ceased to play a role because the overwhelming popularity of the status quo forces parties to advocate similar positions.

From the perspective of power resources theory, we should expect the degree of income stratification of the vote to reflect the degree of party polarization. Table 2 reports probit regression results of *Left party support*. A complete set of country dummies is included in all models but not reported to ease presentation. We weight the results using the equilibrated weight reported by the WVS. This weight corrects for demographic differences and weights each country equally. To get a meaningful main coefficient for *income*, we centered polarization on the minimum polarization score (3.6 for Canada) before we created the interaction term. Thus, the coefficient for *income* gives us the effect of income when polarization is at its minimum observed value.

Results in Table 2 confirm the expectation that party polarization on redistributive issues increases the income stratification of the vote. Column 1 reveals the well-known result that the rich are less likely to vote left than the poor. Results in column 2 show, however, that the income effect is clearly dependent on the degree of party polarization. The interaction term is negative and significant at the 5 percent level. Moreover, the negative coefficient for income is increased by 50 percent (i.e. less negative) compared to column 1, which suggests that when polarization is very low, the income stratification of the vote is weak.

To explore how the effect of income depends on the degree of party polarization, we centered the polarization variable at different levels of polarization: one standard deviation below mean score, mean score, one standard deviation above

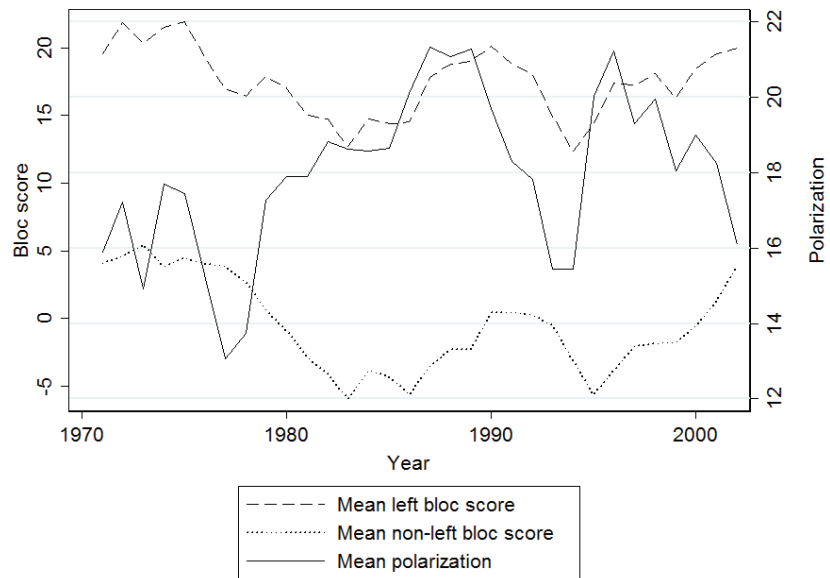


Figure 2: Mean score on *party polarization*, 1971-2002.

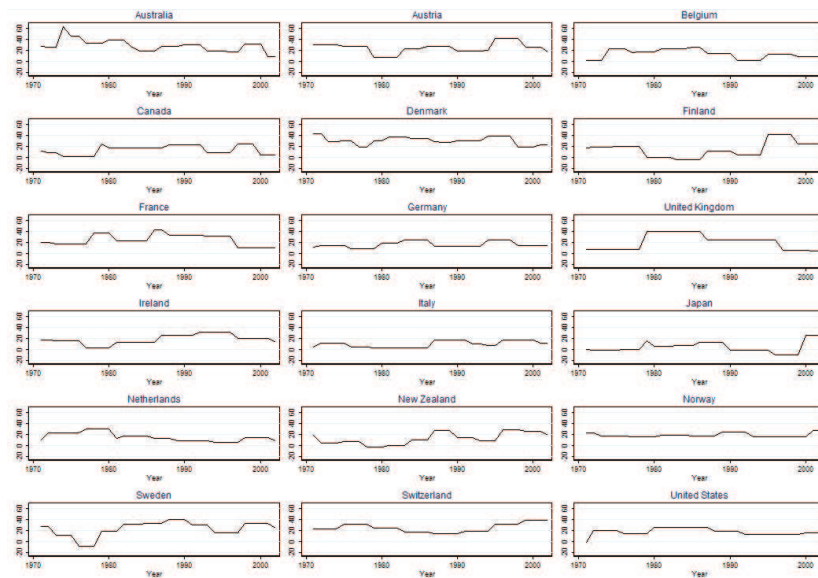


Figure 3: *Party polarization* by country.

Table 2: Probit regressions. Dependent variable is *Leftvote*.

	(1)	(2)
<i>Income*Polarization</i>		-.004** (.002)
<i>Income</i>	-.112*** (.017)	-.059* (.032)
<i>Churchgoer</i>	-.368*** (.025)	-.369*** (.025)
<i>Female</i>	.060*** (.018)	.060*** (.018)
<i>Age</i>	.013*** (.004)	.013*** (.003)
<i>Age-squared</i>	-.0002*** (.00003)	-.0002*** (.00004)
<i>Education</i>	.067*** (.022)	.066*** (.022)
<i>Recipient</i>	.056** (.028)	.057** (.028)
Country FE	Yes	Yes
No. of observations	25257	25257
No. of countries	18	18
Pseudo-R2	.04	.04

Robust standard errors in parentheses.

*significant at 10%; ** significant at 5%; *** significant at 1%.

A full set of survey dummies is included in all models.

Results are weighted to account for varying samples sizes between countries.

Missing data imputed by Amelia. Data sets combined using Clarify.

mean score, and maximum score. We constructed associated interaction terms and ran separate regressions for each centering. The coefficients and standard errors for *income* in this run of regressions give us the marginal effect (and its 95 percent confidence interval) of income at the respective level of polarization. The results are displayed in Figure 4 and visualize how the effect of income is more important the stronger the degree of polarization.

Next, we use the Clarify software (King, Tomz and Wittenberg, 2000) to calculate substantial effects. We set control variables to their median score (country dummies to their mean score) and calculate the expected probability that a rich voter will vote left at different levels of polarization. This procedure reveals that the expected probability that a rich person votes left is more than six percentage points lower when polarization is high (at 90th percentile) compared

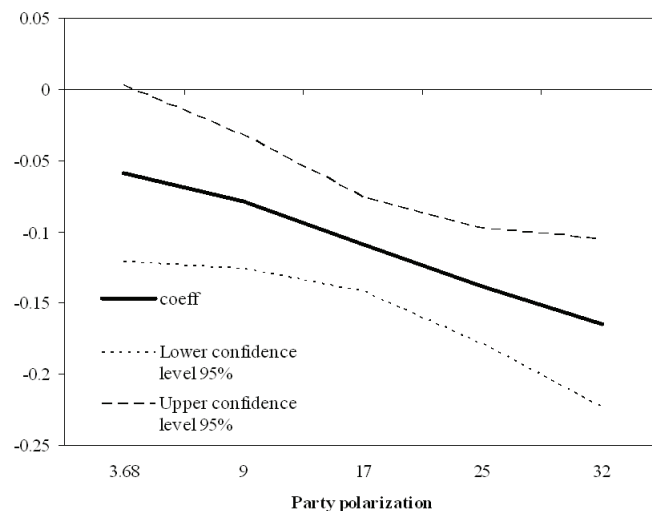


Figure 4: Marginal effect of income at different levels of party polarization.

to low (at 10th percentile). In other words, polarization has a non-negligible effect on the degree of income stratification.

Thus, in line with Przeworski and Sprague’s (1986) notion of “no natural organizing principle of politics”, the importance of income as an organizing principle of voting clearly depends on to what degree the left and right compete on economic issues. The results support the assumption of power resource theory that distributive conflicts still matter in the electoral arena. Remember that this finding cannot be interpreted as support for a hypothesis that polarization affects the total vote share of the left; it only supports an argument that polarization affects the homogeneity of left voters with respect to income.

With regard to the effect of control variables, the results in Table 2 are generally as expected. There is a gender gap in voting as females are more likely to vote left than men, and those who visit church frequently and those who receive government transfers are also more likely to vote left. Moreover, there is a positive, but diminishing, relationship between age and probability of left voting. The only surprising finding is that those with high education are more likely to vote left. This might be because we code “will not vote” as 0 rather than leaving them out of the analysis.

Readers sceptical of multiple imputation should note that regressions on the non-imputed data set yield very similar results: The interaction term is negative and strongly significant (coefficient = $-.005$, SE = $.002$), while the income coefficient is negative but insignificant (coefficient = $-.042$, SE = $.034$).

Finally, we explore whether polarization first and foremost mobilizes the poor to vote left or the rich to defect from voting left. Results in Table A-1 in the Appendix show that while the difference between the poor and the middle class grows with polarization (column 1), i.e. the poor become more likely to vote left as polarization increases, the difference between the rich and the middle class is insignificantly related to polarization (column 2). In other words, income stratification of the vote increases with polarization because the poor are more likely to vote left rather than the rich becoming less likely to vote left. Future research should explore whether this is because polarization makes poor voters switch from a right to a left party, or whether it mobilizes poor non-voters to vote left.

We have established that income stratification of the vote varies systematically with the degree of political polarization. Thus, the core power resources assumption of a relationship between socio-economic position and party alignment, given that left parties do not suffer from “goal-displacement”, is supported.

In Table 3 we test whether the partisan effect on change in welfare benefit *generosity* depends on the degree of party polarization. In other words, we explore whether the ideological polarization is also reflected in the post-electoral arena. An initial analysis established that we have a significant degree of spatial correlation and groupwise heteroscedasticity in our data, thus we rely on linear regression with panel-corrected standard errors (Beck and Katz, 1995).

In column 1, we include the lagged generosity level and country fixed effects, in column 2 we add year fixed effects, and in columns 3 and 4 we add the vector of additional control variables.

Results in columns 1-4 confirm the partisan hypothesis. The interaction term is negative and clearly different from zero in all four specifications. The coefficient for *right/center* is positive, which implies that when there is no party polarization (*party polarization* equals 0), the right/center appears to be slightly *more* likely to expand the welfare state than the left. The coefficient is, however, not significant. Moreover, the coefficient for *party polarization* is, as expected, pos-

Table 3: Linear regression. Dependent variable is change in welfare benefit *generosity*.

	(1)	(2)	(3)	(4)
<i>Right/Center*Party Polarization</i>	-.0001** (.00006)	-.0001** (.00006)	-.0001*** (.00005)	-.0002*** (.0001)
<i>Right/Center</i>	.001 (.002)	.0004 (.001)	.001 (.001)	.001 (.001)
<i>Party polarization</i>	.005 (.004)	.007 (.004)	.006 (.004)	.007* (.004)
<i>Generosity level</i>	-.138*** (.029)	-.124*** (.034)	-.142*** (.029)	-.138*** (.033)
<i>Elderly</i>			-.008 (.029)	.065** (.033)
<i>Employment</i>			-.017 (.011)	-.019* (.017)
<i>Voter turnout</i>			.021*** (.007)	.021** (.007)
<i>Union density</i>			-.002 (.007)	-.008 (.009)
<i>Economic growth</i>			.018 (.015)	.033 (.020)
Country FE	Yes	Yes	Yes	Yes
Year FE	No	Yes	No	Yes
Observations	556	556	528	528
Countries	18	18	18	18
R-sq	.12	.14	.14	.18

Panel corrected standard errors in parentheses.

*significant at 10%; ** significant at 5%; *** significant at 1%.

itive, which suggests that party polarization increases benefit generosity when the right does not have any seats in government (*right/center* equals 0). This coefficient is significantly related to generosity at the 10 percent level in the presence of country and year fixed effects (column 4).

While an interpretation of the coefficients in Table 3 is useful, we get a better understanding of the interactive relationship between *right/center* and *party polarization* by evaluating the effect of right government at different levels of polarization. Figure 5 shows the marginal effect (and its 95 percent confidence interval) of right/center government (evaluated at its sample median) at different levels of polarization. As evident, *right/center* has a negative and statistically significant effect (at the five percent level) when polarization is above

15. Almost 60 percent of the observations in the sample have a polarization score of this magnitude. However, the figure also illustrates that the marginal effect of partisanship is fairly small at all levels of polarization: An increase in party polarization from 15 to 25, which is roughly a one standard deviation increase in polarization, increases the marginal effect of partisanship from $-.002$ to $-.003$. That is, when polarization is 15, a shift from a pure left government to a pure center/right government implies that the level of generosity falls by .16 units while the corresponding drop when polarization is 25 amounts to .33 units.

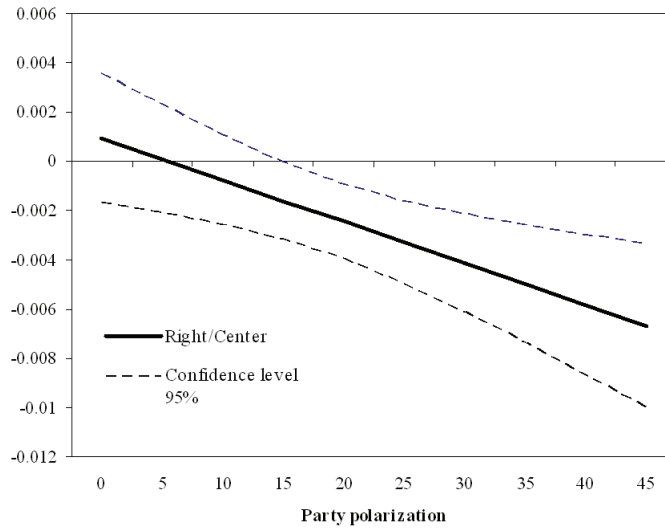


Figure 5: Marginal effect of Right/Center government at different levels of party polarization.

Regarding the control variables, the generosity level in the previous period is strongly related to changes in generosity level the following period. The negative coefficient for the lagged level of generosity implies that generosity is moving towards a stable long-run equilibrium level.¹⁶ Below, we exploit this to calculate long-term effects of changes in the independent variables. The vector of additional control variables does not explain much of the variance

¹⁶See e.g. Iversen (2005, 193–201) for a similar interpretation of the lagged level of the dependent variable.

in the dependent variable (columns 3 and 4), at least not without year fixed effects. Voter turnout is the only control variable significant in both columns: an increase in voter turnout is associated with an expansion of generosity. A popular explanation in the comparative political economy literature says that a high level of turnout ensures a better political representation of the poor because the income bias of voting is smaller when turnout is high (Mahler, 2008; Kenworthy and Pontusson, 2005; Franzese, 2002). In the presence of year FE, *elderly* and *employment* are significant at the 5 and 10 percent level, respectively: as expected, *elderly* increases generosity levels, while it seems to be easier to cut back on generosity when the *employment* ratio is increasing. If we compare the marginal effects of partisanship in Figure 5 with the coefficients in Table 3, it is evident that the substantial effects of the control variables are larger than the effect of partisanship.

The coefficients in Table 3 give us the immediate effect of a one-unit change in the independent variables. The long run effect is different from the immediate effect because of the strong association between past and current level of generosity. We can calculate the long-term effect by dividing the coefficient for the independent variable with the (absolute of the) coefficient for the lagged level of *generosity*.¹⁷ As we have already shown, the effect of partisanship depends on the level of party polarization: a one percentage increase in *right/center* (from its median level) when polarization is low has an insignificant effect on the long run equilibrium. However, if polarization is 18 (its mean score), a one percentage increase in *right/center* decreases the long-run equilibrium level of generosity by -.015.¹⁸ This effect is significant at the five percent level, and implies that a permanent change from a pure left government to a pure center/right government would lower the long-run equilibrium level of generosity by 1.16 units. The long-run impact of a one percentage point increase in voter turnout is significant at the one percent level and amounts to an increase in generosity of .152. Finally, the long-run impact of a one percentage point increase in *employment* and *elderly* is significant at the ten percent level; *employment*

¹⁷See e.g. Iversen (2005, 193–201) for a similar approach.

¹⁸We get this number using the following calculation:

$$(\beta(\text{right/center}) + \beta(\text{right/center} * \text{party polarization}) * 18) / -\beta(\text{generosity level}).$$

We do this calculation using the `nlcom` command in Stata, which returns accompanying standard errors and z-scores.

decreases the long-run equilibrium level of generosity by -.138, while *elderly* increases the level by .472. The other variables have no significant long-term effect.

In the remainder of the paper we explore the robustness of our results and consider some alternative model specifications. To evaluate how sensitive our results are to the inclusion of a particular country, we re-estimated the final model excluding one country at a time. The interaction term between partisanship and polarization is significant at the five percent level irrespective of which country we leave out, with one exception. When we exclude Finland, the interaction term is significant only at the ten percent level ($z=1.74$).

We revealed that a null hypothesis of no first-order autocorrelation is rejected. Therefore, we estimated a Prais-Winsten AR(1) error model as an alternative. The substantial conclusions do not change. Finally, the dependent variable has two large positive outliers, i.e. country years with a large increase in generosity. The relationship between *right/center* and *generosity* is slightly weaker when we include dummies for these two observations, but the substantial conclusions remain.¹⁹ The same is true if we include dummies for some extreme values on the polarization variable.

Our reading of Pierson is that the “era of austerity” began in the early 1970s (Pierson, 1996, 143). However, Huber and Stephens (2001) argue that the period of retrenchment began in the 1980s when welfare state programs had fully matured. Allan and Scruggs (2004, 505) identify the timing of the “structural break” as the “year of the major economic recession during the early 1980s”, and examine partisan effects before and after the year of the structural break. Restricting the analysis to post-1980 or post-structural break reveals that the size of the partisan effect is similar to that found in Table 3. This is contrary to Huber and Stephens’ (2001) analysis of spending data, but not contrary to Allan and Scruggs’ (2004) analysis of replacement rates.

Fifty-one percent of the changes in generosity levels are positive. In other words, the negative effect of right government does not necessarily mean that right governments are more likely to *cut back* on generosity levels: it could be that right governments only *raise* generosity levels *less*. This distinction is

¹⁹As an alternative, we took LN of current level and lagged level of *generosity* to reduce the influence of outliers. Results for the variables of interest are similar to those in Table 3, while statistical significance is improved for most of the control variables.

potentially important as Pierson argues that retrenchment is qualitatively different from expansion. Allan and Scruggs (2004) show that right governments are associated with cut-backs as well as less expansion. They reach this conclusion by dichotomizing the dependent variable into cuts and no-cuts, choosing different cut-points “to exclude ‘marginal’ changes in replacement rates, which may accrue through no obvious intention to cut replacement rates” (Allan and Scruggs, 2004, 509).

We find Allan and Scruggs’ (2004) approach problematic because we believe it is important to distinguish between a small and a large cut-back. Therefore we chose a different approach. We construct two new variables: a dummy variable equal to one if *generosity* is positive and zero if negative (we label this variable *expansion*), and an interaction term between this dummy variable and *right/center*. We include these two variables in a otherwise identical model as the one reported in column 4, Table 2. The coefficient for *right/center* now gives us the effect of *right/center* when both *party polarization* **and** the dummy for *expansion* are zero. We use this model to estimate the effect of right government at different levels of polarization, as we did when constructing Figure 5, but we now get the partisan effect on retrenchment because we include *expansion*. We get a similar relationship between *right/center* and *generosity* as displayed in figure 5, but the effect of *right/center* is now significant at the 5 percent level only when polarization is above 25.²⁰ Thus, we conclude that the negative effect of right government displayed in Figure 5 is not solely driven by right governments being less likely to raise generosity levels, but the ideological gap needs to be larger for the partisan effect to kick in.

The fixed effects approach effectively removes the effect of time-invariant institutional variables. The electoral system, the number of veto points in the legislative process and wage bargaining are institutional variables found to be of particular importance for welfare state development (e.g. Huber, Ragin and Stephens, 1993; Iversen and Soskice, 2006; Allan and Scruggs, 2004). The electoral system is of particular relevance for this paper because it might influence the probability of right government (Iversen and Soskice, 2006) and the degree

²⁰We get the following coefficients when including the *expansion* dummy and its interaction with *right/center* in the model displayed in column 4, Table 3 (panel-corrected standard errors in parentheses, control variables not shown): *Right/Center*Party Polarization* -.0001 (.00005)**, *Expansion*Right/Center* -.0013 (.0010), *Right/Center* .001 (.001), *Party polarization* .009 (.003)***, *Expansion* .841 (.07)***.

of party polarization (Cox, 1990). Plümper and Troeger (2007) propose a three-stage estimation procedure to gauge the effect of time-invariant variables in a fixed effects model. In this approach the first stage is a pooled OLS regression with country fixed effects, while the second stage decomposes the unit fixed effects into one part which is unexplained and one part which is explained by the time-invariant or slowly changing variables. The third stage re-estimates the first stage while including the time-invariant or slowly changing variables and the unexplained part of the unit fixed effects.

Table A-2 in the Appendix presents the results from the fixed effects vector decomposition (FEVD) estimations. Column 1 includes a dummy indicating whether the electoral system is *majoritarian*.²¹ In column 2 we include *veto points* (Huber, Ragin and Stephens, 1993; Huber et al., 1997) and Siaroff's (1999) proxy for *corporatism* (Armingeon et al., 2006). The institutional variables behave as expected and are strongly significant: *majoritarian* and *veto points* are negative while *corporatism* is positive. The partisan effect remains robust to this specification.

One might argue that important level effects are suppressed when including country fixed effects. Plümper, Troeger and Manow (2005) argue that a change in right partisanship from five to ten percent of the cabinet might not be comparable to a change from 95 to 100 percent of the cabinet, as the fixed effects model implicitly assumes. They suggest FEVD estimation as a potential solution, by including partisanship in the part of the model that explains the unit fixed effects. In column 3 we follow their suggestion and include *right/center* in the second rather than first stage to allow level effects. This procedure yields stronger partisan effects than in the previous models.

To sum up, our findings support Allan and Scruggs' (2004) conclusion that politics of retrenchment are not fundamentally different from the politics of expansion. Partisanship matters for welfare state generosity even in an era of austerity as long as the political blocs put forward sufficiently distinct policy platforms on issues concerning the distribution of income. The findings based on table 3 show that platforms are sufficiently distinct for partisanship to matter in approximately 60 percent of the observed country years.

²¹We follow Iversen and Soskice (2006) and Huber et al. (1997) when classifying electoral systems as majoritarian or PR.

5 Conclusion

The issue of whether who governs matters for policy outcomes is a core question of political science and has been an important topic in the comparative welfare state research over the last decades. We have argued that the debate between the New Politics perspective and the power resources perspective regarding welfare state restructuring in an “Era of Austerity” can be brought forward by exploring the degree of actual political polarization between the left bloc and the right bloc on the redistributive dimension of politics.

First we identify an assumption regarding polarization for each of the two perspectives. The New Politics perspective proposes a decline in party polarization over redistributive issues since the 1970s. We find no support for this claim. The power resources theory assumes that politics is organized around the socio-economic cleavage, as long as left parties do not suffer from “goal displacement”. We find support for this assumption, as the income stratification of the vote is stronger when polarization is high. In the final part of the paper we examine whether political parties are able to “make their ideology count” in the post-electoral arena by looking at whether the partisan effect on changes in welfare state generosity depend on the degree of polarization. We conclude that political parties are still able to make their ideological promises matter, but, in contrast to the existing literature, we are able to identify a level of party polarization which is necessary for the partisan effect to kick in.

Our paper has weaknesses that should motivate future research. Firstly, the assumption that political competition is between a left and a right bloc is a common, yet strong simplification. While we demonstrate that the partisan effect is robust to the control of the electoral system, it might be fruitful to examine the relationships between electoral systems and party polarization in more depth, given the recent emphasis on the importance of the electoral system for redistribution (eg Iversen and Soskice, 2006). Secondly, we rely on an objective measure of party polarization and assume that it is an accurate depiction of the actual political landscape. However, subjective measures of party polarization based on survey data represent an alternative way to describe polarization and in some cases might be closer to the actual political conflicts. Thirdly, while our measure of welfare state change is precise and superior to spending data, some might argue that studying structural reforms would be even better. Finally,

although we lean on a theory of party competition where party positions are partly exogenous to voter preferences (Przeworski and Sprague, 1986), future research should explore what drives party polarization. Consistent with power resource theory, Pontusson and Rueda (2008) find that trade union strength is associated with polarization.

6 Appendix

A simple voting model where party polarization increases the income stratification of the vote

We assume that political competition can be characterized as taking place between two parties (blocs), the left and the right. Both parties (blocs) are split between members who want to maximize votes and members who hold distinct political views. For historical reasons and due to ties to organized interests (trade unions, business organizations), members of the left party tend to support higher taxes to finance generous welfare state programs, while members of the right party tend to support lower taxes to boost private investments. In this set-up, one possible reading of Pierson's declining polarization hypothesis is that members who want to maximize votes have strengthened in power relative to partisan members, thus leading to a weakening of partisanship.

We assume that political competition is over the generosity of the welfare state, financed by a proportional tax on income with balanced budgets. Voters' utility is determined by disposable income. Voters weight the expected utility if the left platform is implemented against the expected utility if the right platform is implemented. We allow voters to have a non-economic attraction to either of the political parties, i.e. a probabilistic voting model. However, we assume that the non-economic attraction is either permanent and cannot be modified by the political parties, or manifests itself as random shocks.

The rich pay a larger share of the tax burden than the poor when the welfare state is financed in the manner we assume here, and thus prefer a less generous welfare state than the poor. The two parties put forward a policy platform after intra-party bargaining. Because both parties have a fraction of members with ideological views and because neither party can credibly commit to any other platform than their most preferred one (Persson and Tabellini, 2000, 99-100), the policy platforms will typically diverge. This is obviously different from Downsian models where platforms converge on the preference of the median voter. The difference stems from our assumption that both parties have a non-negligible fraction of members with ideological views.

Voting model if employed in the first period.

As mentioned, the voter decides who to cast her vote for based on the party platforms. The voter is either employed or unemployed. If employed, the voter

receives a wage w and a flat-rate transfer g from the government. The government transfer can be in the form of unemployment benefit, pension benefit, or sickness benefit. We are of course aware of the fact that most of such transfers are to those outside the labour market, however, we choose this set-up to capture the fact that social protection has a redistributive element (e.g. Scruggs, 2008). Moreover, in line with Iversen and Soskice (2001) and the corporatist literature, we argue that voters view social protection as deferred wages. An employed voter has an exogenous probability p of staying employed in the next period. If we assume no disincentive effects of taxation and disregard discounting of the future, the employed voter's indirect utility is

$$V(t; w) = (1 - t)w + g + p((1 - t)w + g) + (1 - p)g \quad (1)$$

where t is a proportional income tax constrained to lie between 0 and 1.

We denote the left bloc L , the right bloc R , and their respective tax policy as t_L and t_R . In this simple model, the tax policy platform is equal to the preferred generosity of the welfare state. The voter's utility from the left platform is simply:

$$V(t; w) + \epsilon_L \quad (2)$$

where ϵ_L is a shock to the voter's evaluation of L . Such shocks can be political scandals or the dislike of a particular candidate. Similarly, the utility from the right platform is:

$$V(t; w) + \epsilon_R \quad (3)$$

Assuming that the voter maximizes expected utility, the voter will vote left in so far as:

$$V(t; w) + \epsilon_L > V(t; w) + \epsilon_R \quad (4)$$

Finally, we assume balanced government budgets so that $g = t\bar{w}$ where \bar{w} is the average wage. The average wage is the same in both periods. Substituting the balanced budget constraint into (1) and rearranging yields:

$$(t_L - t_R)(\bar{w} - w) + (t_L - t_R)(\bar{w} - wp) + (t_L - t_R)(\bar{w}) > \epsilon_R - \epsilon_L. \quad (5)$$

It is convenient to view $\epsilon_R - \epsilon_L$ as standard normal distributed and equation (5) as expressing the probability of left voting. The equation reveals that a poor voter (i.e. $\bar{w} > w$) is more likely to vote left as long as $t_L > t_R$, given that the risk of income loss is lower for the rich (i.e. the probability of being employed

in the next period is higher for the rich). Cusack, Iversen and Rehm (2006) present empirical evidence strongly supporting the assumption that income and risk of income loss is negatively correlated.

Voting model if unemployed in the first period.

If unemployed, the indirect utility is given by

$$V(t; w) = g + q((1 - t)w + g) + (1 - q)g \quad (6)$$

where q is the probability of employment in the next period. This voter will vote left in so far as:

$$(t_L - t_R)(\bar{w} - wq) + (t_L - t_R)(\bar{w}) > \epsilon_R - \epsilon_L. \quad (7)$$

i.e., for a given (positive) probability of employment in the next period, a voter expecting to get a high wage is less likely to vote left relative to a voter expecting to get a low wage. If we allow q to vary between the two groups, q has to be higher for those who expect a high wage to ensure that those who expect a high wage are less likely to vote left.

Parties included in WVS coded as Left.

Australia: Labour Party, Green Party.

Austria: SP, KP, Green Party.

Belgium: Agalev, PS, SP, WOW, Ecolo, PTB.

Canada: NDP, Bloc Qubcois, Green Party.

Denmark: Social Democrats, Socialist Peoples Party, Unity List.

Finland: Social Democratic Party, Left Alliance, Green League.

France: Exrme-gauche, Parti Communiste, Parti Socialiste, Les Verts, Autres Ecologists.

Germany: SPD, PDS, Die Gruenen.

Ireland: Labour, Sinn Fein, Green Party, Independents.

Italy: SDI, Liste Verdi, Dem. Sinistra, RI, Rifond. Comun., Partito Comunista Italiano.

Japan: JCP, Democratic Party.

Netherlands: PvdA, Groen Links, Socialistische Partij.

New Zealand: Labour, Alliance, Greens.

Norway: Social Democrats, Socialist Left Party, RV.

Sweden: Social Democrats, Left Party, Green Party.

Switzerland: SPS, GPS, CSP, PdA.

Great Britain: Labour, Social Democrats, Green Party.

USA: Democratic Party.

Table A-1: Probit regressions. Dependent variable is *Leftvote*.

	(1)	(2)
<i>Income*Poor</i>	.006* (.003)	
<i>Income*Rich</i>		-.004 (.003)
<i>Poor</i>	-.006 (.017)	.079*** (.032)
<i>Rich</i>	-.145*** (.030)	-.092* (.049)
<i>Churchgoer</i>	-.369*** (.025)	-.369*** (.025)
<i>Female</i>	.061*** (.018)	.061*** (.018)
<i>Age</i>	.013*** (.004)	.012*** (.004)
<i>Age-squared</i>	-.0002*** (.00003)	-.0002*** (.00004)
<i>Education</i>	.069*** (.022)	.069*** (.022)
<i>Recipient</i>	.057** (.028)	.058** (.028)
Country FE	Yes	Yes
No. of observations	25257	25257
No. of countries	18	18
Pseudo-R2	.04	.04

Robust standard errors in parentheses.

*significant at 10%; ** significant at 5%; *** significant at 1%.

A full set of survey dummies is included in all models.

Results are weighted to account for varying samples sizes between countries.

Missing data imputed by Amelia. Data sets combined using Clarify.

Table A-2: Fixed Effects Vector Decomposition. Dependent variable is change in welfare benefit *generosity*.

	(1)	(2)	(3)
<i>Right/Center*Party Polarization</i>	-.0002*** (.00006)	-.0002** (.00006)	-.0002*** (.00004)
<i>Right/Center</i>	.001 (.001)	.001 (.001)	-.001 (.001)
<i>Party polarization</i>	.007* (.004)	.007* (.004)	.007* (.004)
<i>Generosity level</i>	-.140*** (.034)	-.178*** (.036)	-.132*** (.034)
<i>Elderly</i>	.055* (.033)	.006 (.041)	.054 (.034)
<i>Employment</i>	-.017 (.012)	-.018 (.012)	-.016 (.011)
<i>Voter turnout</i>	.022*** (.007)	.026*** (.008)	.020*** (.007)
<i>Union density</i>	-.009 (.009)	.004 (.010)	-.008 (.008)
<i>Economic growth</i>	.036* (.021)	.030 (.022)	.031 (.021)
<i>Majoritarian</i>	-1.010*** (.065)	-.376*** (.073)	
<i>Veto points</i>		-.080*** (.022)	
<i>Corporatism</i>		.515*** (.028)	
Country FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Countries	18	18	18
Observations	528	492	492
R^2	.18	.21	.17

Panel-corrected standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

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