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THE SOCIAL SCIENCE OF POVERTY

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In the past 15 to 20 years, considerable progress has been made in understanding how politics and institutions shape poverty. Traditionally, studies of poverty, especially in the United States, neglected institutions and politics. Instead, studies predominantly focused on the demographic risks of poverty or how economic performance shaped poverty in the United States. For example, many poverty researchers demonstrated that single mothers were more likely to be poor, and economists often documented how poverty rose and fell with the business cycle. However, scholars have recently devoted increasing attention to how politics and institutions shape the distribution of economic resources and how this ultimately drives poverty (Brady 2009; Brady and Sosnaud 2010; Rank this volume). At the risk of hyperbole, there has been a marked transition in the social science of poverty such that it is now widely understood that much of the variation in poverty across rich democracies is due to politics and institutions. While previously poverty scholars concentrated on demographics and economic performance, scholars are beginning to emphasize, for example, social policy and labor unions. More scholars are drawing attention to how politics and institutions shape poverty in developing countries as well. Scholars have even shown that the effects of demographic risk factors, like single motherhood, are themselves conditioned by politics and institutions. Indeed, political and institutional explanations of poverty and inequality have never been as prominent as today.

At least two factors have contributed to this progress. First, there have been significant improvements in cross-national survey and administrative data on individual and household income. Perhaps the best example is the Luxembourg Income Study, which has greatly facilitated more rigorous cross-national comparisons of poverty and
inequality. This, in turn, has allowed scholars to explore the role of country-level factors like social policies. Such comparisons have also included fine-grained scrutiny of taxes and transfers, which has highlighted how essential taxes and transfers are to household income (Rainwater and Smeeding 2004). Because taxes and transfers are largely determined by governments, the nation-state (henceforth “state”) and the politics of the state have risen in importance in poverty and inequality research. The rising prominence of the state in inequality research is well-captured by the enthusiastic debates sparked by Thomas Piketty’s (2014) *Capital in the Twenty-First Century*, which called for a global tax on capital as a means to moderate inequality.

Second, though initially slow, there has been a genuine scholarly response to rising inequality. Through the early 2000s, scholars often lamented that sociology and political science had failed to study the increasing inequality occurring in rich democracies (e.g., Morris and Western 1999). Yet, over the past 10 to 15 years, there has been growing interest in the sources of rising inequality, and within this literature, political and institutional explanations have grown in prominence. This is partly because the prevailing economic and demographic explanations have proven limited for explaining many of the prominent trends (Brady and Leicht 2008). Therefore, as such explanations have been unable to account for the most important trends in poverty and inequality, political scientists, sociologists and others have stepped in with political and institutional explanations (see Brady and Sosnaud 2010).

This essay reviews theories and literatures on how politics and institutions shape poverty. In the process, we draw a clearer connection between the poverty literature and the broader conceptual and theoretical literatures on how politics and institutions shape inequality. Animating this essay is the general contention that poverty is shaped by the combination of power resources and institutions. On one hand, scholars in the power resources tradition have emphasized the role of class-based collective political actors for mobilizing “power resources” in the state and economy. On the other hand, institutionalists have highlighted the role of formal rules and regulations.1 Altogether, political explanations of poverty vary across a continuum from those highlighting the active struggle between collective actors to those highlighting the stable arrangements of rules and regulations.2 At the same time, contemporary political explanations of poverty often draw on insights across this continuum and eclectically blend power resources and institutions into comprehensive accounts. We also posit state policy as a key mediator between politics/institutions and poverty and explain how this means politics/institutions can have both direct and indirect effects on poverty.

The first section reviews power resources theory. We first explain its theoretical arguments and then discuss the evidence for key power resources (i.e., collective political actors like labor unions and parties). The second section covers institutional explanations. Again, we first explain the key concepts and theories and then review the evidence linking the most salient institutions to poverty. The third section explains the pivotal role of state policy by cataloguing the generic mechanisms of how state policy influences poverty. Finally, we conclude by presenting several
challenges for future research. Throughout, we draw on literatures from several disciplines and across several world regions.

**Power Resources Theory**

**Concepts and Core Arguments**

Power resources theory contends that collective actors bond together and mobilize less advantaged classes of citizens around shared interests. Such groups gain electoral power by forming unions and Left parties, and when in office, these parties expand the welfare state (Brady 2009; Brady, Fullerton, and Cross 2009; Hicks 1999; Huber and Stephens 2001; Korpi 1983; Moller et al. 2003). Power resources theory claims that the mobilization of such groups of less advantaged citizens is pivotal because the default distribution of political power in a capitalist democracy favors elites and business. This default favoring business and elites leads to a default unequal distribution of income. Hence, it is essential for the working class, poor, and others to bond together and attract some of the middle class to gain any real political power.

Beyond simply expanding the welfare state, power resources theory offers a more general model of income distribution (Brady et al. 2009; Korpi 1983). In contrast to Left parties mobilizing in elections, business and elites can mobilize in the labor market and corporate boardrooms to funnel more economic resources in their own direction. Because power resources can be mobilized in both workplaces and polities, power resources’ effects might manifest in the distribution of earnings and employment—complementary to but potentially separate from the welfare state. Generalizing even further, it is reasonable to think of power resources as a theory about how collective actors accomplish economic egalitarianism by gaining power, and controlling offices and positions with authority over markets, taxation, social policies, and other distribution processes. Therefore, we suggest power resources theory at least partly informs all research on how collective political actors shape equality.

Traditionally, power resources theory anchored its microlevel mechanisms in the rational self-interest of the poor and working class to expand the welfare state. Korpi (1983) built his explanation by deriving the mobilization of classes from their material interests. Many scholars still attribute a considerable role for material interest, especially among political economists (Mahler 2008). This makes sense as it is in the material interests of the poor and working class to have a larger welfare state and more redistribution. Constituencies of beneficiaries, even among the middle class or affluent, have a rational interest in forming coalitions with the working class and poor to maintain existing social policies (Korpi and Palme 1998). At the same time, others have sought to broaden the reasons why the working class and poor will mobilize. Building on power resources theory, but integrating it with public opinion and path dependency...
literatures, Brooks and Manza (2007) argue that existing social policies cultivate widely held beliefs and normative expectations that feed back into the politics of welfare state (Brady and Bostic 2015). The powerful cultural expectations that result from social policies then greatly influence how people vote and constrain politicians seeking to retrench welfare states. Hence, power resources could be effectively mobilized for the welfare state because citizens have either or both material interests and cultural values favoring egalitarianism.

**Unions and Leftist Parties**

Influenced by power resources theory, a rich tradition of scholarship demonstrates the effects of labor unions on economic inequality. Considerable research has shown that unionization is associated with higher earnings for the average worker (Kalleberg et al. 1981), lower compensation for elites (Volscho and Kelley 2012), and less earnings inequality (Kristal 2010; Wallace et al. 1999; Western and Rosenfeld 2011). Particularly relevant to poverty, scholars have shown that unionization reduces the presence of low-paid jobs (Gautie and Schmidt 2009; Zuberi 2006) and boosts the earnings of the less skilled, younger, and contingently employed workers that are vulnerable to poverty (Eren 2009; Maxwell 2007). Unions accomplish greater security and better compensation for workers because they pressure management to raise wages, encourage rules against the use of contingent workers (whose presence would reduce wages), and regulate working conditions. Unions also disseminate egalitarian discourses, influence policy, and shape the regulation and governance of labor markets (Western and Rosenfeld 2011). Regardless of how or why, there is clear and convincing evidence of a strong relationship between unionization and higher earnings, and lower inequality and poverty (Brady et al. 2013; Rosenfeld and Laird this volume).

This research has been particularly influential to the emerging study of working poverty (Gautie and Ponthieux this volume; Lohmann 2009). Compared to joblessness, working poverty has been relatively neglected even though the majority of poor people in most rich democracies reside in households with employed people. However, in the past few years, scholars have devoted increasing attention to working poverty, and this nascent literature has highlighted the role of unions (Brady et al. 2010; Zuberi 2006). In an analysis of the United States 1991–2010, Brady and colleagues (2013) show that state-level unionization reduces the odds of individual-level working poverty. Indeed, they find that a state’s level of unionization is more important than the economic performance or social policies of that state. What is more, their multilevel approach allows them to control for a wide variety of individual characteristics predicting poverty and to show that unionization benefits both unionized and nonunionized workers.

Unions also matter to poverty because they are key players in electoral politics. Unions mobilize voters, align and form coalitions with political parties, and influence government administrators. Indeed, unionization has often been utilized to show how the power resources of the working class trigger welfare state development
(Hicks 1999; Huber and Stephens 2001; Korpi 1983). Influenced by this research, many show that unionization explains cross-national differences in poverty and inequality (Bradley et al. 2003; Moller et al. 2003). This literature often demonstrates that in addition to directly affecting the workplace and earnings (or household income before taxes and transfers), unions indirectly influence poverty by encouraging more generous social policies (Brady 2009; Brady et al. 2009). Indeed, Brady and colleagues (2010) show that unionization mostly explains cross-national differences in working poverty through its indirect effects through welfare state generosity.

Unions’ relevance to electoral politics and social policy complements the role of political parties. In many accounts, Leftist parties are the actors that actually establish egalitarianism by enacting laws and policies favoring the poor (Allan and Scruggs 2004; Kelly and Witko 2012; Korpi and Palme 2003) and reducing inequality (Bradley et al. 2003; Mahler 2004; Sassoon 1996). As Huber and Stephens (2001) argue, parties serve the “crucial mediating role” in implementing policy. As a result, many show a relationship between Leftist party power and lower poverty (Bradley et al. 2003; Moller et al. 2003). The bulk of the evidence suggests it is actually the cumulative and long-term, rather than the current, power of Left parties that matters (Huber and Stephens 2001; Jensen 2010). For instance, Brady (2009) shows that rich democracies with a cumulative history of Left party power tend to have lower poverty than those traditionally governed by centrist and Right parties. Pribble and colleagues (2009) show that poverty tends to be lower in Latin American countries with a greater cumulative presence of Left parties in the legislature—such as Costa Rica or Uruguay.

**Business, Elites, and the Right**

Power resources theory traditionally presented the political advantages of business and elites as the default and tended to focus on collective actors representing the poor and the working class. As a result, less research examines how the power and mobilization of elites and business affects poverty specifically. This is unfortunate as it is plausible that the power and mobilization of elites and business is quite relevant. On one hand, some literature illustrates how business sometimes acts in favor of egalitarian social policies. This research has often come out of the varieties of capitalism research program, which sought to identify the institutional differences between coordinated market economies like Germany and liberal market economies like the United States. Such scholars show that business has an interest in welfare state expansion in a coordinated market economy environment featuring wage coordination, vocational education systems, and corporatism (Hall and Soskice 2001; Mares 2003; Martin and Swank 2012; Thelen 2012). On the other hand, others argue Right parties mostly operate as a counterweight to Left parties and unions (Allan and Scruggs 2004; Brady and Leicht 2008; Castles 2004). When in power, Right parties tend to retrench the welfare state and alter the tax distribution such that inequality increases (Allan and Scruggs 2004; Brady and Leicht 2008; Hacker and Pierson 2010). Both literatures view the mobilization of
business and elites as variable rather than constant and highlight how business and elites have mobilized in response to the growth of the state and the welfare state that occurred in many countries after World War II and until the 1970s (Harvey 2005). Right power resources also need to be mobilized and, indeed, some demonstrate Right power resources have been more consequential than the Left in recent decades (Brady and Leicht 2008; Allan and Scruggs 2004). Thus, modern power resources theory encompasses a range of class-based organized groups and collective actors acting through and outside parties to influence welfare states.

Broadening Power Resources

Finally, beyond class-based actors like business, labor, and parties, scholars have broadened power resources theory to include the mobilization of other disadvantaged groups. Most prominent in this literature, women’s electoral mobilization and presence in government influences the development of the welfare state, which ultimately bears on poverty and inequality (Bolzendahl and Brooks 2007; Huber and Stephens 2001). For power resources research to advance, a better understanding of the entire spectrum of political actors would be valuable (Hacker and Pierson 2010; Volscho and Kelly 2012). In that vein, Thelen (2012) proposes a “coalitional approach” to capture how a variety of actors—parties, organized labor, business—come together (or not) to shape inequality. Perhaps such a theoretical direction has potential for research specifically focused on poverty as well.

Institutional Explanations

Concepts and Theories

Institutions can be thought of as stable agreements and historical settlements that channel, constrain, and regulate the behavior of firms, workers, and other actors and hence contribute to inequalities in nation-states (Campbell 2004; Fligstein 2001; Pierson 2004). Institutions include formal and informal rules, laws, and policies that define the range of legitimate actions of market actors. There is no one institutional explanation of poverty, and arguably there is less coherence among institutional explanations than among power resources scholarship. Still, institutional explanations are a family of explanations that stress the salience of institutions for poverty and inequality—above and beyond collective political actors.

Proponents of institutional explanations emphasize the role of established and stable macrolevel contexts to explain differences in poverty and inequality across places (Jepperson 1991). Thus, like power resources scholars, institutionalists contend that the
environment determines the odds of poverty. Somewhat unlike power resources theory however, institutional explanations stress that the processes driving inequality are less amenable to manipulation by collective political actors. That is, institutions reproduce and structure potential inequalities. They are not active players like collective actors but are better understood as rules of the game and contours of the arena in which the game is played (Thelen 2012).

Partly for such reasons, the self-sustaining quality of institutions is particularly important in institutional explanations. Institutions tend to continue to affect poverty and inequality without active maintenance. As Jepperson (1991:148) explains in his classic essay on “institutional effects”: “Institutions are those social patterns that, when chronically reproduced, owe their survival to relatively self-activating social processes. Their persistence is not dependent, notably, upon recurrent collective mobilization, mobilization repetitively reengineered and reactivated in order to secure the reproduction of a pattern.” Thus, institutions are “taken for granted,” “naturalized as a stable feature of constraining environment,” “routine-reproduced,” and “relative fixtures of constraining environments” (Jepperson 1991:148–49).

Institutions reflect the “congealed power” or residue of the power of collective actors (Western 1997). Previous established rules, policies, and practices do not disappear overnight and often only slowly evolve over time. Also, contemporary poverty reflects the political settlements of the past as much as the present power of today’s political actors. Conversely, long-ago established institutions with little egalitarian content or intention, often end up, after the evolution of time, having egalitarian consequences. For example, Thelen (2004) shows how the German apprenticeship system began as an exclusive inegalitarian institution but evolved into an institution that enhanced social equality and working-class economic security. Institutions put in place decades ago may still matter to poverty today, and institutions put in place today might not matter until significant time has passed. For instance, even if the Democratic Party controlled the U.S. presidency, both houses of Congress, and most state legislatures, their effects on poverty would still be constrained. It takes a long time to change labor laws that undermine unions, to expand or create new social policies, to implement those policies, and to change normative expectations about egalitarianism. Thus, institutionalists often critique power resources explanations for implying that each election represents an active struggle and pivotal event, and instead stress the noticeable stability of poverty and inequality.

In these ways, institutional effects on poverty and inequality often reflect “path dependency” (Pierson 2004). Path dependency is the idea that previous institutions set states on a trajectory whereby only certain subsequent choices are possible or efficient. That is, current politics and institutions depend on the path a state has taken previously. To understand how institutions shape poverty, scholars therefore need a long-time horizon of cause and a long-time horizon of outcomes (Pierson 2004). As a result, scholars tend to focus on cumulative and long-term effects that steadily build and gradually evolve over time and may only have impacts once a certain threshold has been met (Huber and Stephens 2012).
A strong institutionalism would claim that previously established rules and arrangements dominate over contemporary politics as those rules and arrangements “lock in place” a level of egalitarianism. This lock-in is then difficult to overturn or undermine, and therefore poverty and inequality are almost predetermined by these institutions. A weaker institutionalism proposes that previously established arrangements guide how, when, and why political actors can and do shape poverty (Huber and Stephens 2001; Jensen 2010). Previously established rules and regulations constrain the choices available to actors, the subsequent political behavior of actors, and even the cultural interpretation of inequalities in society. Because institutions shape the expectations guiding and resources available to actors, they also have long and complicated causal chains that ultimately shape poverty (Pierson 2004).

Compared to research on power resources and collective actors, there is perhaps less research on how institutions affect poverty. Therefore, even though institutional theories are highly relevant to and often lurk under the surface in poverty research, it is less common for scholars to explicitly highlight institutions. Still, salient research has been done on democracy, and electoral, labor market and educational institutions.

**Democracy and Electoral Institutions**

Refining the power resources literature, scholars have shown that the effects of parties on poverty are more pronounced once democracy has become firmly established (Huber and Stephens 2012). This is partly because stable democracies are more responsive and effective at channeling state resources toward reducing income inequality (Jenkins and Scanlan 2001; Lee 2005), partly because parties require significant time to maturely crystallize their positions on economic and social policies (Huber and Stephens 2012; Resnick 2012), and partly because weak or new democracies present few opportunities and channels for the political mobilization of the poor (Heller 2009). Whereas authoritarian regimes can more easily repress the poor and workers, parties need to attract the poor and working class as constituencies in democracies (Rueschemeyer et al. 1992). The result of this is that while democracy might not have a simple and direct effect on poverty (Ross 2006), there is a complicated and historically cumulative influence of democracy through parties, other collective political actors, and mature states (Huber and Stephens 2012). Therefore, democratic regimes ultimately matter to poverty by creating an environment in which power resources are likely to be more consequential.

Beyond the stability of electoral democracy, scholars in the past decade have stressed how particular institutions of electoral democracy matter to poverty and inequality (Malesky et al. 2011). Especially central to the literature, Iversen and Soskice (2006) demonstrate with both a formal model and empirical evidence that proportional representation (PR) systems redistribute more than single-member district systems (see also Persson and Tabellini 2004). They show that electoral systems influence the nature
of political parties and the composition of governing coalitions, which then shape how much economic resources are redistributed from rich to poor. They demonstrate that PR systems advantage center-Left governments, while majoritarian systems favor center-Right governments. Based on analyses of rich democracies, they show that electoral systems thus indirectly explain why PR countries in Europe have so much less poverty and inequality than majoritarian countries like the United States (also Brady 2009). More generally, the opposite of PR systems—single-member district plurality systems—are one of many veto points (sometimes called “veto players”). Scholars have shown that such veto points (including e.g., presidential systems, federalism, judicial review, bicameralism, and the frequency of referendums) constrain the expansion of social policy (Immergut 1992) and are positively associated with poverty and inequality (Beramendi 2012; Huber and Stephens 2001).

There has also been research on how electoral institutions shape the political behavior of the poor. For instance, in a study of rich democracies, Anderson and Beramendi (2012) show that higher levels of partisan competition on the Left shape the tendencies of dominant Left parties to mobilize poor voters in response to inequality. They demonstrate that without the presence of several contending Left parties, dominant Left parties have little incentive to encourage poor people to vote. This is relevant because the political behavior of the poor has some bearing on the collective actors shaping poverty, as discussed above. Therefore, electoral institutions like the presence of multiparty competition, which is more likely in a proportional representation system, are likely to indirectly affect poverty through the political behavior of the poor.

Labor Market and Educational Institutions

In terms of labor market institutions, an extensive literature investigates how corporatism and wage coordination affect inequality. This literature has shown that earnings inequality is lower in corporatist labor markets that feature stricter employment protection (e.g., rules constraining the firing of workers), power sharing between management and labor (e.g., works councils), and wage coordination (e.g., centrally negotiated national pay scales) (Blau and Kahn 2002; Carbonaro 2006; Koeniger et al. 2007). As noted above varieties of capitalism scholars refer to such corporatist labor markets as coordinated market economies (Hall and Soskice 2001), as countries typically bundle several labor market institutions into a more or less coherent system. According to this literature, corporatism brings together business and labor into cooperative and long-term-oriented relationships that bring about greater equality (Hicks 1999). This literature has influenced the aforementioned literature on working poverty. Indeed, low-wage work and working poverty appear to be less common in labor markets featuring such institutions (Brady et al. 2010; Gautie and Ponthieux this volume; Gautie and Schmidt 2009). Because low-wage work is so salient to working poverty and therefore poverty overall, it follows that this literature on labor market institutions is relevant to poverty research.
Another feature of coordinated market economies, and often coupled with labor market institutions, are the educational systems that feed individuals into labor markets (Allmendinger 1989). Kerckhoff (1995) calls these institutions “the sorting machines” of stratification because they structure the connections between one’s class origin, educational attainment, early labor force placements, and labor market trajectories. One of the pronounced differences in education systems is whether countries have well-developed vocational education/training and apprenticeship programs (Kerckhoff 1995; Thelen 2004). Many of the countries that have extensive labor market institutions like corporatism also tend to have vocational education systems, and scholars have pointed out the strong complementarities between the two (Hall and Soskice 2001). Germany is often held up as the model because it has historically had well-developed bridges between schools, vocational training, and apprenticeships. Such vocational systems have been linked to lower poverty and inequality (Allmendinger and Leibfried 2003; Moller et al. 2003). The reason is that vocational education represents a better pathway to work for those who do not get a college degree. So, while workers with college degrees are advantaged almost everywhere, the penalty for lacking a college degree is lessened if one has vocational training. This is because vocational training enhances one’s human capital and because these education systems encourage tighter links between education, apprenticeships, and early labor market placement. As a pathway for young people who do not go to college, scholars in the United Kingdom and the United States have proposed the establishment of such vocational education systems to reduce unemployment, labor market precariousness, and even poverty (Rosenbaum 2001). By contrast, others argue it is more important to reduce educational inequalities in general and to raise education overall rather than develop tracks for different groups of students in order to alleviate poverty (Solga 2014).

International Institutions

Finally, one promising direction for poverty research on institutions is the study of international institutions. International institutions, like the European Union, have been linked with government spending and the welfare state (Brady and Lee 2014; Ferrera 2011) and with income inequality (Beckfield 2006). A few have connected international institutions to poverty (e.g., Bradshaw et al. 1993; Kentikelenis, Stubbs, and King 2015). For example, Easterly (2001) shows that International Monetary Fund and World Bank structural adjustment programs aimed at developing countries reduced the effectiveness of economic growth in reducing poverty. Moreover, international institutions have arguably become more salient in recent decades and may become even more so in the future. Thus, it is plausible that international institutions will be increasingly relevant to poverty.
Regardless of where scholars sit on the continuum of power resources and institutions, most agree the state plays a pivotal role in shaping poverty. The conventional approach views the state as a mediating variable, such that power resources and institutions often have indirect effects on poverty through the state. According to this approach, power resources and institutions influence the size, practices, and policies of the state, and the state implements egalitarianism. As we discuss later, much research demonstrates how social policy benefits the poor and reduces poverty (Brady 2009; Brady et al. 2009; Lee and Koo this volume; Lein et al. this volume). Relatively less scholarship highlights how state policies can also be harmful to the poor. However, we propose state policy’s relevance to poverty is best understood as a combination of social policy and regulatory activities that shape the distribution of economic resources and life chances (Wilensky 2002).

On some level, one could include the entire fields of public and social policy research as relevant to this essay. Rather than summarizing all scholarship on state policy, we distill the literature into a parsimonious typology of how states matter. We identify a set of generic mechanisms for how state policies matter to poverty. Enumerating these mechanisms should facilitate and guide scholarship on the range of roles that states play, and comprehensively evaluating those roles allows us to better understand how states shape poverty.

First, state policies organize the distribution of resources (Moller et al. 2003; Nelson 2004). Typically, this mechanism is presented as redistribution. However, state policies more realistically organize the distribution of resources by influencing how resources are distributed in the market and after the market (Bradley et al. 2003). Through taxation, transfers, and services, social policies take resources from one part of the population and distribute to others or to the same population at different stages of life. Yet, state policies also shape how much people earn and how much investments return. The obvious example of state policies that shape earnings are minimum wage laws, but household income is contingent on a range of policies states have for coercing private and public actors in markets. States also tax many transfers (Ferrarini and Nelson 2003), opt to eschew taxes as an indirect way to “transfer” resources (Wilensky 2002), and occasionally even disproportionately tax the poor (Newman and O’Brien 2011). Hence, state policies both redistribute and distribute, and a narrow focus on redistribution underappreciates the full set of consequences of state policy.

Second, state policies insure against risks (DiPrete 2002). Many social policies are insurance programs against unexpected (e.g., illness and accidents), somewhat unexpected (e.g., unemployment), and relatively expected events (e.g., having a child or growing old). Because of their size, large budgets, legitimacy, and capacity to mandate participation, states are uniquely positioned to insure or require insurance (O’Brien and Robertson 2015). Moreover, because the private sector is often unlikely to insure
all regardless of risk profiles, states often must step in and be the insurance provider. States often go further than just insuring against risks but also are actively involved in preventing risks through regulation. For instance, states can reduce workplace injuries, and this enhances the earning power of workers. Thus, state policies both reduce the likelihood of poverty-inducing events and mitigate the consequences when such events occur (DiPrete 2002).

Third, states invest in capabilities. States educate, train, care for, and keep healthy their residents. States also often feed and house their residents, though it is probably mostly through education, training, care, and health care that states contribute to the well-being and development of their populations. In recent years, this package of programs has received increasing attention under the title of “the social investment welfare state” (Morel et al. 2012). Similarly, this role has long been studied as part of the literature on aid and assistance to developing countries (Feeney and McGillivray this volume).

Fourth, and closely related to the third point, state policies allocate opportunities. In addition to preparing people for jobs and caring for people when they cannot work, states actually create jobs and other opportunities. States are often the largest employers in their countries, and public employment is especially relevant to poverty during economic recessions. Though service obviously comes with great potential costs, the military has also been a key state policy that has been a source of social mobility out of poverty and a basis for economic development for relatively impoverished communities (Sampson and Laub 1996). States also allocate these opportunities in more or less equal ways, and this often has consequences for poverty. For example, the aforementioned investments in capabilities such as education and training are often distributed unevenly, and if they were distributed more equally, less poverty would likely result.

Fifth, state policies socialize expectations (Brady 2009). State policies are clearly shaped by the politics of collective actors and widely held beliefs. However, since at least the early 1990s, scholars have stressed how state policies feed back into public opinion and politics (Brady and Bostic 2015; Fernandez and Jaime-Castillo 2013; Huber and Stephens 2001; Skocpol 1992). By explaining how state policies construct interests, ideologies, and coalitions, compelling research has shown how state policies shape norms, beliefs, and the subsequent politics of state policies (Brooks and Manza 2007; Korpi and Palme 1998; Pierson 2004). If those feedback effects are positive, there will tend to be increasing public support for policies, and when those policies are effective, poverty reduction will be reinforced and social equality becomes more institutionalized. Hence, state policies shape the popular expectations about whether poverty is just or necessary, and these likely shape the amount of poverty in society (Brady 2009).

Sixth, states discipline the poor (Soss et al. 2011; Wacquant 2009). The state punishes, warehouses, polices, monitors, stigmatizes, constrains, undermines and limits the freedom of the poor and certain populations. These many processes fit under the broad banner of disciplining the poor (Soss et al. 2011), which may
make poverty more likely or persistent. Though many have made such arguments in recent years, the idea was already present in Piven and Cloward’s (1993) classic *Regulating the Poor*. While Piven and Cloward emphasized how welfare was used to control and force the poor to work, states today may emphasize punishment and warehousing more because there is not enough well-paid work to sustain the poor (Wacquant 2009). Further, in Piven and Cloward and recent work like Soss and colleagues (2011), the state has often actively sought to paternalistically manage the fertility, partnering, and parenting behavior of the poor. In the past 10 to 15 years, one of the most popular areas of research on state policies and poverty/inequality has been incarceration. This recent research, especially in the United States, has called attention to the state’s criminal justice policies as a key source of racial and class stratification. This literature documents the United States’ unusually high rates of incarceration, and how this contributes to myriad economic inequalities. Incarceration worsens poverty through multiple channels (DeFina and Hannon 2013; Western and Muller 2013). Directly, ex-prisoners face substantial disadvantages in the labor market (Western 2006). Indirectly, the families of prisoners face severe strain, and there is evidence that increasing incarceration has concentrated childhood disadvantages (Wildeman 2009) and even increased child homelessness (Wildeman 2014). Though dramatically increasing incarceration has clearly been a significant policy intervention that has worsened inequality, it is important to keep in mind there are many other and less studied ways that states discipline select groups in ways that worsen poverty.

In sum, we have identified at least six generic mechanisms linking state policies and poverty. By creating this typology of mechanisms, we aim to clarify the themes in past research and guide future research on state policy effects on poverty.

**Challenges for Future Research and Conclusion**

In total, great progress has been made in the study of how politics and institutions shape poverty and inequality. Scholars have advanced sophisticated theoretical arguments, and considerable empirical evidence has been accumulated. More than perhaps at any point in the social science of poverty, political and institutional explanations have proven valuable for understanding poverty. Animated often by power resources and institutional theories, scholars have shown the salient impacts on poverty of labor unions, Left parties, elites and business, democracy, electoral systems, and labor market and educational institutions. Nevertheless, despite the progress in the literature, the literature is presently grappling with several challenges and dilemmas. Some challenges are methodological, others are theoretical, and others are simply the result that the world keeps changing in ways that often defy our accounts.
Power Resources Theory

There are at least two pressing dilemmas for the power resources literature. First, even though the existence of power resources representing the disadvantaged are clearly to the benefit and interests of the disadvantaged, such power resources are struggling to survive. Unions, Left parties, and other Left collective actors face significant challenges of solidarity and mobilization and are experiencing declines in their memberships and affiliations. For instance, even though there continues to be stable differences in unionization across rich democracies, unionization is declining in almost every rich democracy (Pinto and Beckfield 2011). While the United States has had low unionization for decades, it is even more notable that Germany's unionization was above 35 percent in the 1980s and has now has fallen below 20 percent. Even Sweden's unionization has fallen from about 85 percent in the mid-1990s to below 70 percent in recent years (Visser 2013). For political parties and voting, there is also evidence of a weakening loyalty of working-class voters to Left parties (e.g., Bornschier and Kriesi 2013; Brady et al. 2011). Such declines raise the question of why power resources are declining even though they continue to benefit the poor and working class.

One answer is that these power resources face the same coordination and mobilization problems that any group faces. There are always free riders, and perhaps the reality is that successfully mobilizing the poor, working class, or anyone is the exception rather than the rule. In turn, maybe we should consider the sustained effective mobilization of power resources in the post–World War II era as partly the product of a unique historical period. If that era truly was unique, we need to revise power resources theory to better incorporate factors like historical contingency and global political economy. What that would mean for the core ideas of power resources theory remains unclear.

A second answer is that poverty and inequality themselves undermine political mobilization. So, there could be feedback effects whereby rising inequality undermines power resources, and some of the observed relationship between power resources and lower poverty may have been the artifact of reverse causality. Indeed, Solt (2008) shows inequality depresses political interest, the frequency of political discussion, and participation in elections among non-rich citizens (also Schaefer 2012). Anderson and Beramendi (2012) find that the poor are less likely to vote where economic inequality is higher. Solt (2008) points out that such evidence challenges arguments that rational self-interest is sufficient to explain the poor’s support for power resources. After all, rising inequality should greatly increase the material interests of the poor and working class in supporting power resources for welfare states and egalitarianism. In contrast to such political-economic models (cf. Meltzer-Richard 1981), scholars have shown that rising inequality is not self-correcting, whereby rising inequality prompts the poor and working class to rise up, push back, and successfully demand redistribution. Instead, rising inequality is self-reinforcing as elites use their greater economic resources to further institutionalize rising inequality (Barth, Finseraas, and Moene 2015; Kelly and Ens 2010). The reality is that the poor have always been known to be less politically active
Partly because political action entails costs and requires resources, it is even more difficult to mobilize disadvantaged populations when they face the pressure and seemingly insurmountable constraint of rising inequality. As Pontusson and Rueda (2010) show, it is essential for the poor to remain politically active and mobilized for there to be any possibility that rising inequality motivates the poor and working class to successfully demand redistribution. The outcome of this dilemma is that there is little reason to be optimistic about the present state of power resources representing the poor.

The second dilemma, which is linked to the first, is that there is considerable evidence that Left collective actors have become less efficacious. Beginning around 2000, scholars began to demonstrate that the relationship between power resources and welfare states weakened in the 1980s (Hicks 1999; Huber and Stephens 2001). When decomposing the rich democracies into historical periods of welfare state development and retrenchment (e.g., before/after the 1980s), one finds a clear pattern where power resources significantly increase the welfare state in the earlier period and have little effect in the later period (Brady and Lee 2014). On balance, there is still evidence of party effects on poverty (e.g., Brady 2009; Brady et al. 2009), and welfare states in recent decades (e.g., Allan and Scruggs 2004). However, the prevailing theme in the literature is that power resources have become less effective at least in terms of expanding the welfare state. Unfortunately, the literature has not made great progress in understanding precisely why and how this weakening effectiveness of power resources has occurred. One explanation is that rising inequality, and the ensuing political weakness of the poor, shifts the incentives and platforms of political parties toward middle-class and affluent voters (Anderson and Beramendi 2012; Barth et al. 2015; Pontusson and Rueda 2010). Thus, power resources might matter less to poverty in recent years because Left parties have shifted Right on economic issues, and this has weakened the commitment of Left parties to economic egalitarianism. Hence, an important question for the literature is what other power resources can serve the interests of the poor if, indeed, Left parties no longer maintain that commitment as consistently as in the past (Häusermann et al. 2013).

Institutional Explanations

Shifting to the institutions literature, the most important dilemma may come from the dualization literature (Emmenegger et al. 2011; Rueda 2005). Increasingly, scholars have emphasized that while labor market and educational institutions are generally equality enhancing, there is considerable stratification in the benefits of these institutions. Dualization scholars build on the classic literature on dual labor markets (e.g., Reich et al. 1973). Dual labor market scholars argued the U.S. economy was composed of a primary or core labor market located mainly in large manufacturing firms in which workers were well paid and had opportunities for advancement, and a secondary labor market located in the service sector and small enterprises in which pay and
opportunities for advancement were limited. The new dualization literature builds on this classic literature to emphasize how labor market and demographic changes present new challenges to previously egalitarian institutions.

Beginning especially in the late 1990s, many institutions and regulations were reformed by, for example, increasing part-time and temporary work and subsidizing low-wage work to create an increasingly large segment of peripheral workers or outsiders in the labor market. Scholars have argued that the result is a dualization of social policies and labor market institutions, with one set of programs for labor market insiders and one for outsiders (Palier and Thelen 2010). So, instead of massive retrenchment of social policies and liberalization of labor market institutions, reform has often been accomplished by dualization (Thelen 2010). The dualization literature highlights that many workers are stuck in a secondary track of social policies, do not benefit from the traditional egalitarian institutions, and may even have blocked or restricted access to the most generous programs. Importantly, such outsiders are more likely to be women, immigrants, the young, and the less skilled or educated. Because these groups were already more likely to be poor, dualization could be very relevant to poverty in rich democracies. If so, the traditional literatures on power resources, welfare states, and institutions will need revision for explaining poverty (Thelen 2012). Particularly interesting is how dualization is emerging at the same time that countries are becoming more egalitarian in other dimensions. For example, Ferragina and colleagues (2012) show how unemployment protection has dualized in many rich democracies at the same time that family policy has become increasingly socialized. Hence, the emergence of dualization is not an isolated trend, but is one of several changes occurring in the policy and institutional context for poverty.

Another dilemma for research on institutions and poverty is the need for studies of the complementarities, constellations, and combinations between various institutions. The literature has long emphasized that a given institution affects poverty and inequality because of the presence of other complementary institutions and the effectiveness of various institutions interdepends on other institutions (Hall and Soskice 2001; Thelen 2012). Of course, it is clear that there are strong correlations between the presence of labor market institutions, like corporatism, and the presence of vocational education systems, unionization, proportional representation, and other institutions. Thelen (2010) adds that employer mobilization is closely attuned to the environment in which they operate—and the nature of employer political mobilization depends on the strength of unions and employers’ level of coordination. So, even power resources like labor and business behave differently depending on the combination of institutions in which they operate. Yet, even though the literature has widely stressed both the essential role of complementarities and the correlations between the presence of various institutions, relatively few studies directly incorporate this into the evaluation of institutional effects on poverty and inequality. For the institutional literature to really demonstrate the theoretical arguments about complementarities and constellations, it would be valuable to more explicitly interrogate interactions between and combinations of institutions.
Methodological Challenges

The last challenge we discuss pertains to the majority of the literatures reviewed in this essay. Despite the progress that has been made in studying how politics and institutions shape poverty and inequality, causality deserves greater scrutiny. While the literature often traditionally focuses on stable differences between countries, the methodological literature on causality increasingly scrutinizes counterfactuals and on identifying exogenous effects. The power resources and institutional literatures have only begun to embrace the shift toward counterfactual causality. Indeed, a key challenge for these literatures is the difficulty of reconciling the theoretical interest in big, long-term processes (e.g., Pierson 2004) and macrocontextual differences (e.g., Brady et al. 2009) with the need to identify causal effects. Indeed, it may be reasonable to perceive a tradeoff between theoretical attention on big, long-term process and macrocomparison and the identification of causal effects.

There are several reasons it is so difficult to identify causal effects while focusing on macrolevel context and cross-national differences. First, power resources and institutions are typically very slow moving and have cumulative effects, and there are very few discontinuities that allow one to exploit a sharp break/increase/decline. Second, power resources and institutions are often bundled with and complementary to other power resources, institutions, and state policies. As a result, it is difficult to untangle complementary and coevolved power resources and institutions and to sort out what effects are due to which precise power resource or institutions. Third, while scholars need macro and historical variation to find variation in power resources and institutions, such macro and historical variation is vulnerable to omitted variable bias. It is always difficult to say one has controlled for all differences between countries or historical periods, and biases due to omitted variables are usually plausible. Fourth, the literature has a desire to study the more fundamental and basic causes that precede complex causal chains and underlie more proximate predictors of poverty. After all, this literature was originally motivated to challenge poverty research’s concentration on demographic risks and individual-level characteristics (Brady 2009). Pushing against the individualism of poverty, the literature on politics and institutions has sought to understand contextual differences in poverty across time and place (Brady et al. 2009). The problem emerges because identifying precise, concrete, and observable mechanisms often requires narrowing the distance between cause and effect, and such a narrowing tends to exclude fundamental and basic causes from one’s view.

Though these matters have not been fully resolved, scholars are beginning to provide more rigorous causal evidence while maintaining the theoretical foci of power resources and institutional theories. Compared to the past, more studies are analyzing change over time within contexts and controlling for stable differences between contexts. Some have utilized instrumental variables or compared across geographically proximate and similar countries to simulate natural experiments or more carefully compare like with like. The advancing presence of multi-level analyses in this literature has allowed for a consideration of macro-level contexts and micro-level risks in
the same models. Even though multi-level approaches also have causality challenges, they have shifted attention away from questions exclusively focused on micro-level individual characteristics and demographic risks, and ensured that power resources and institutions are brought into studies of individual-level poverty (Brady et al. 2009). Finally, scholars are increasingly using research designs that display both variation between places and variation within places over time (e.g., Brady et al. 2013; O’Brien and Robertson 2015).

In the end, the challenges of advancing causal approaches within this literature present an excellent opportunity for future research. The next wave of progress in studying how politics and institutions shape poverty and inequality will likely utilize innovative research designs and clever estimation strategies to provide new and even more rigorous evidence. In addition to encouraging greater scrutiny of causality, we conclude by proposing that all the dilemmas and challenges in this section present a promising agenda for future research. We argued at the outset that politics and institutions have never been as prominent in the social sciences of poverty as they are today. If we are correct, these challenges and dilemmas suggest an exciting emerging literature, and one that has the potential to make politics and institutions even more central to understanding poverty.

Notes

1. In this chapter, we define institutions as stable agreements and historical settlements that channel, constrain, and regulate the behavior of firms, workers, and other actors and hence contribute to inequalities in nation-states.

2. This division between power resources and institutions has been prominent in the literature for some time. In Korpi’s (1983) account, he presents power resources in contrast to the institutionalist corporatism theories that were prominent at the time (e.g., Schmitter 1977).

3. To define Left, Right, and other parties, several databases have been built on expert coding of party platforms, transnational connections between national parties, and the historical roots and coalitions underlying parties (see e.g., Brady et al. 2014). The Left includes parties linked to social democratic and socialist ideologies and organizations, labor parties and parties with strong connections to labor unions, and parties advocating more generous social policies and egalitarianism (Sassoon 1996).

4. By “redistribution” we are referring to the broad set of activities (e.g., taxes) that extract economic resources from one group and allocate or transfer those economic resources to another group (or services that require economic resources). In rich democracies, redistribution is typically thought of as transferring money from rich to poor. We acknowledge many societies transfer resources from the poor to the rich, and most societies include redistribution in both directions. Nevertheless, we focus on redistribution from rich to poor.

5. For example, Thelen (2012:142) points out that within the political economy of rich democracies literature there are institutional explanations that carry a “Williamsonian” view of institutions as mechanisms for rational and efficient coordination and cooperation, and a “Durkheimian” view as mechanisms for organic and emergent social cohesion.
6. As is clear, this essay eschews Meltzer and Richard’s (1981) well-known theory that governments expand when the median voter’s income is below the mean income, premised on the median voter’s preference for redistribution. We do so because the overwhelming majority of the evidence contradicts the theory while it continues to receive disproportionate attention. While basically ignored by Meltzer-Richard and much of the political economy literature, there was always convincing evidence against their model. Moreover, the basic trends of rich democracies in the past few decades directly contradict Meltzer-Richard. In most rich democracies, the mean income has grown relative to the median, and the size of government and the amount of redistribution has not grown. Research on politics/institutions and poverty/inequality would probably be better off if Meltzer-Richard (or any theory so impervious to empirical evidence) did not figure so prominently.

References


