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CHAPTER 28

The Politics of Economic Inequality

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One of the more remarkable features of modern society is how much economic inequalities vary across countries and over recent history. For example, the Luxembourg Income Study reveals that the 90th percentile household in Mexico has an income that is about ten times greater than the 10th percentile household.[1] This extreme inequality dwarfs the United States' 90/10 ratio of 5.7 in 2004. Still, inequality in the U.S. dwarfs any other affluent democracy. The United Kingdom had a 90/10 ratio of 4.6 in 1999, and egalitarian countries like Denmark were as low as 2.8 in 2004. Even among seemingly similar former state socialist economies, one cannot help but be struck by the disparities between the Czech Republic with a 90/10 ratio of 2.8 in 1992 and 3.0 in 1996 versus increasingly polarized Russia. Russia's 90/10 ratio was already high at 6.7 in 1992, rose all the way to 9.4 in 1995, before plateauing at 8.4 in 2000. As the political scientist Graeme Robertson remarks, "Russia changed from being Finland into Mexico seemingly overnight." This variation is not simply due to development or industrialization. For if it was, one would not find countries like Taiwan with a 90/10 ratio of 3.8 in 2000, far below the U.S. and U.K.

Social scientists have been interested in this cross-national and historical variation in inequality since at least the nineteenth century. Marx, Weber, Adam Smith and many others devoted attention to why inequality rose with industrialization, and how and/or if anything could be done to address it. Within sociology, one can point to the influential work of scholars like Gerhard Lenski (1984). Yet, it may be only in the last 15 or so years that sociologists and other social scientists have truly begun to produce a field of inquiry on this issue. A host of studies have sought to explain differences among affluent democracies, trends in inequality with development, and global inequalities of between and within country trends.[2] Scholars have compared inequality across countries, across cities, provinces and regions, across history,

[1] For these figures, see the Luxembourg Income Study (http://www.lisproject.org/php/kf/kf.php).

[2] Several sociologists have claimed that their discipline has been slow to address rising inequality. Morris and Western (1999: 649, 624) write: "[S]ociology ignored these trends" and "If you had been reading only the flagship journals in sociology, you probably would not know about these trends. Sociologists have been strangely and remarkably silent on this issue." Also, Neckerman and Torche (2007) write, "sociologists have been relatively slow to take up the study of inequality." Perhaps, however, this claim of neglect has been rectified since Morris and Western's review. In addition to the tradition of scholarship following Lenski, there actually has been a nontrivial sociological literature on these questions (reviewed in this chapter).

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and pooled historical and spatial variations as well. In this fast moving field, we have reached a point where social scientists actually know a fair amount about what is associated with temporal and cross-national variations in inequality.

This chapter reviews the social sciences on the political sources of inequality. Although we begin by acknowledging important alternative sources of inequality, we concentrate this chapter on political sources. Moreover, although gender and race inequalities deserve to be examined on their own, it is our charge to focus on economic inequalities (although we discuss how race and gender are linked to economic inequalities). Our review has seven sections. First, we take stock of the contributions and limitations of power resources theory. Second, we discuss the political actors that have been linked with inequality. Third, we examine political institutions. Fourth, we consider how politics and welfare states interact to influence inequality. Fifth, we consider the popular discourse of "redistribution" and how this might actually constrain this field of research. Finally, we discuss a few general directions for future research and conclude. Before proceeding, however, we lay out two major orienting concerns.

ORIENTING CONCERNS

Primarily, we seek to highlight political explanations of variations in inequality. In turn, we acknowledge that even within sociology, the prevailing approach to understanding inequality (at least economic inequality) tends to eschew politics and concentrate on demographic and economic sources. This approach has been greatly influenced by Kuznets' (1953) that theory that inequality follows an inverted-U shape with economic development, rising in initial stages of industrialization and declining with subsequent development (Alderson and Nielsen 1999; Lenski 1984). This "society-developmental" approach focused on the dualism between agricultural and non-agricultural sectors as development progresses, and changes in the family and population that result from the related demographic transition (Brady and Leicht 2008). Harrison and Bluestone (1988) demonstrate that in the latest stages of advanced capitalism, inequality rises again, demonstrating a Great U-turn with deindustrialization and globalization (Bluestone and Harrison 2000). This tradition implicitly seems to suggest that inequality patterns are mainly shaped by a set of economic and demographic antecedents. If a country experiences deindustrialization or rising single parenthood, inequality mechanically rises. Hence, inequality is a product of how the population is distributed across labor market sectors or vulnerable family arrangements (Gottschalk and Smeeding 1997; Gustafsson and Johansson 1999). In particular, we point to Alderson and Nielsen's (1999, 2002) recent research as one of the more compelling examples of the society-developmental tradition. Alderson and Nielsen provide a novel synthesis of Kuznets and Lenski to construct models of inequality across affluent democracies as well as all countries. Their studies also contributed to a wave of research on how globalization affects inequality. Ultimately, however, they conclude that inequality in affluent democracies continues to be driven by sectoral changes like the decay of agricultural and manufacturing employment, and the rise of female labor force participation.

Upon consideration of the substantial contributions of this society-developmental tradition, one could conclude that cross-national and historical variations in inequality have little to do with politics. Our review aims to counter that impression (Brady 2009; Fischer et al. 1996; Hout et al. 1996; Tilly 1998), and in the process contribute to an alternative to the society-developmental tradition. This is partly because even the best society-developmental explanations cannot fully explain many of the important facts of the variations in inequality. This is also partly because of the mounting contributions of studies demonstrating the political

sources of inequality. The literature has accumulated such that it would be difficult for even the most ardent society-developmentalist to dismiss. Rather than seeking to explicitly critique the society-developmental tradition, however, we review the evidence for political effects.

Secondly, we lay out three premises of our review – premises which partly reflect our motivation to highlight political sources of inequality. Our review is informed by the belief, first, that scholars should not assume that economic inequality is an automatic or mechanical outcome of demographic and technological change. Even the most tightly coupled demographic correlates of rising inequality – like single parenthood – do not deterministically shape inequality as their association is actually rather weak in some affluent democracies. Relatedly, after much research on inequality in recent years, there appear to be some clear limitations to Lenski's classic claim that technology and human nature are the original causes of inequality. Second, we hold the view that scholars should not assume that any translations automatically occur from economic structure to political behavior. One cannot simply read politics from the supposedly objective economic interests of locations in the labor market. Though few contemporary sociologists subscribe to the view, it is noteworthy that one often finds this simplistic account in studies of how economics influence politics (e.g., the rarely supported but widely cited Meltzer-Richard theorem). Third, we emphasize that politics takes a wide variety of forms and takes place in a wide variety of arenas (states, workplaces, communities, international institutions, etc.). Many kinds of political power exist (ideological, office-holding, bureaucratic administration, legislative, enforcement and under-enforcement) and there are many kinds of collective action and institutions. Thus, a broad perspective on what constitutes politics is most useful for seeking to understand how politics influences inequalities.

POWER RESOURCES THEORY

One of the core theories within the study of the politics of economic inequality is power resources theory. Though power resources theory is mostly known as a theory of the welfare state, it offers a general explanation for the politics of the distribution of economic resources in advanced capitalist democracies (Hicks 1999; Korpi 1983; Stephens 1979). This theory provides a compelling narrative of how the working class can mobilize to overcome the power of business in order to expand the welfare state. Power resources theory begins with the realistic premise that political power is unequally distributed in a capitalist democracy. Business, owners, and managers have far more power because they control the means of production. Because business possesses greater wealth, it also has more resources to deploy in politics. Metaphorically, business can be thought of as an iceberg – where the majority of its power lurks below the surface, and does not need to be visible to present a threat. At any time, business can create economic instability, which undermines the parties holding office, and can therefore influence elections. Business can also flex its muscles in the political arena by deploying resources strategically to tilt elections in their favor. Business does not need to always exert power in these ways, since everyone knows they have it. The threat, coupled with a business-friendly ideology common in affluent democracies – something business actively cultivates – is sufficient to structurally constrain the state and ensure and legitimate business-friendly policy (Block 1987). As a result, the default organization of markets becomes favorable for business, which enables the exploitation and economic insecurity of workers. Business has an interest in maintaining this default organization, and so exerts its influence for a minimalist welfare state and low levels of government regulation. Of course, business is often supportive of government intervention to enhance profits and facilitate opportunities and subsidies. But, this is ignored when business advocates a broad free-market orientation for workers. In this default position, the working-class and the poor have very little political power.

To alter the distribution of economic resources, the working-class and poor must bond together and attract some of the middle class. Then, this bonding can be mobilized into class-based political action in the workplace and in elections. As Huber and Stephens (2001: 17) explain, "The struggle over welfare states is a struggle over distribution, and thus the organizational power of those standing to benefit from redistribution, the working and lower middle classes, is crucial." Workers can strike and interrupt the ability of business to make profits. Moreover, the working-class and poor allied with parts of the middle-class can form and support Leftist political parties. Although labor unions are the immediate manifestation of working class mobilization, Huber and Stephens (2001: 17) emphasize that, "political parties perform [the] crucial mediating role." When in office, these parties can push for an expansion of the welfare state to protect workers and the poor and guard against the economic insecurity that is inherent in capitalism. As Korpi (1983: 187) summarizes: "The variations in the differences between these two basic types of power resources – control over the means of production and the organization of wage-earners into unions and political parties – are thus assumed to be of major importance for the distributive processes in capitalist democracies and for their final result; the extent of inequality." Thus, collective political actors representing the working-class pressure the state in order to expand social policy.

At least since the 1970s, power resources theory has been the leading theory of the welfare state and made deep contributions to the study of the politics of inequality. Indeed, the conventional wisdom in sociology and political science on how politics might shape inequality basically reflects power resources theory. However, despite its lasting and significant contributions, three major criticisms of power resources theory have emerged.

One criticism of power resources theory is that it overemphasizes the material interests of the working class and, in turn, underappreciates ideology. Indeed, underlying power resources theory is a materialist interest-based rational choice explanation (Korpi 1985). The interests of business lead to profit-seeking and exploitation of workers. In the state, business is interested in free markets and minimal protections for workers. The interests of the working class and poor are viewed as translating directly into Leftist politics. While there is room in power resources theory for questions of how and why the working class becomes mobilized, power resources theory presumes that workers act in their rational economic interests to support welfare state expansion, and business acts in its interest to oppose redistribution.

To be certain, the working class and business often have divergent interests. However, ideology may be equally as important as interest in accounting for political support for a generous welfare state and reduced inequality (Steensland 2006). For example, Brooks and Manza (2007) show that mass policy preferences – public opinion regarding social policy and egalitarianism – substantially influence welfare state generosity. Deeply embedded in national values are stable norms about welfare states, and there are national differences that cannot be accounted for by the class distribution. The rich literature on class voting shows that there is still a great deal of class voting: the poor and less educated are often more likely to vote Leftist and managers and high income people are more likely to vote Rightist (Manza and Brooks 1999). But, the relationship is far from deterministic. The working class and poor often do not vote even though doing so is in their interest. When they vote, a sizable minority vote for parties opposed to welfare generosity. Indeed, there is persuasive evidence that white working class men in the U.S. have been far more likely to vote Republican since 1996 (Brady et al. 2009). Moreover, professionals are one of the most supportive classes of Leftist parties, and since professionals tend to be affluent, voting Leftist is against their strict economic interest

(Manza and Brooks 1999). So, one cannot simply read party preferences from the economic interests of class locations. Ideology has a similarly large role to play in explaining vote choice, even though there is a relationship between income and voting (Brooks and Brady 1999).

A second criticism of power resources theory is that it does not sufficiently incorporate the path dependency of welfare politics. Power resources theory presents a picture of an iterative game where politics involves separate negotiations at each election.[3] Though there is little dispute about the stability of cross-national differences between generous and minimalist welfare states, power resources theory implies that each election presents a chance for welfare states to expand or contract. It is almost as if each election was a new negotiation between the power resources of capital and labor. Indeed, Korpi and Palme (2003) have recently argued that the decline of Leftist class politics has led to substantial welfare state cutbacks in Europe. Social policies have purportedly been retrenched as working class political organizations have declined. However, the claim that the welfare state has actually declined in affluent democracies is quite controversial. There is at least as much evidence for stability (Brady et al. 2005). In contrast to the portrayal of an iterative game, many have argued that welfare state politics are better characterized as path dependent (Pierson 2004). Welfare state and inequality politics are deeply institutionalized and past political conflict and settlements feed back into contemporaneous politics (Pierson 2001).[4] Indeed, welfare politics are influenced by the rules of the electoral arena, bureaucratic inertia, previous historical settlements, and importantly, each country's normative commitment to egalitarianism. Welfare politics may be more about habit than an iterative game of struggle and conflict with each election. Relatedly, welfare politics is as much about constituencies of welfare beneficiaries as it is class politics these days. As Brady and colleagues (2005) show, the size of the elderly population has as large of a positive effect on welfare generosity as unionization or Leftist parties. This is not to suggest, as some "new politics of the welfare state" scholars do, that parties have become irrelevant. Rather, it is simply to acknowledge that power resources theory under-appreciates the new bases and coalitions that support welfare generosity and Leftist parties (including the elderly, constituencies of beneficiaries, etc.), because it is so focused on the bygone era of old bases and coalitions of workers (Myles and Pierson 2001).[5]

Finally, perhaps the most vocal criticism of power resources theory is that it marginalizes race and gender (Orloff 1993; Quadagno 1994). Because it centers its argument on class politics, race and gender hierarchies often get little attention. As any observer of the welfare and poverty politics in the U.S. would attest, race and gender are probably quite relevant to the failure to accomplish more generous social policies. For example, Quadagno (1994) persuasively documents how profoundly racial divisions and the exclusion of women and minorities shaped assistance to the poor, single mothers, the elderly, and the disabled. In a compelling study, Gilens (1999) demonstrates that much of the American reluctance to support welfare

[3] Korpi (1989: 313) writes that power resources theory offers, "a game theoretical perspective on the analysis of interdependent actors." See also Korpi (1985); van den Berg and Janoski (2005).

[4] On balance, power resources theory often considered institutions and settlements from past negotiations. Korpi (1985: 38) wrote, "The power resources approach, leads us to view societal institutions largely as the residues of previous activations of power resources, often in the context of manifest conflicts which for the time being have been settled through various types of compromises." But, such institutions were always very secondary to the manifest class conflict that primarily drives welfare politics.

[5] Relatedly, power resources theory presents a rather romantic image of civil society. One of the central factors in power resources theory has always been the ability of workers to disrupt production through strikes. Yet, strikes are few, far between and ineffectual in many contemporary affluent democracies (Rosenfeld 2006a).

and help the poor can be explained by a deep animosity towards racial minorities. In one analysis, Gilens shows that survey attitudes about helping the poor significantly depend on whether the survey vignette features a Black or White poor person. Given the cumulative contributions of such scholars, it has become difficult to argue that class is the dominant source of welfare states. Gender and race may be equally salient to the politics of welfare generosity and inequality. By remaining centralized on class, power resources theory likely presents an incomplete account.

To address this third criticism, scholars have begun to incorporate race and gender both as causes and effects of the welfare state. Although the motivation for this literature has often come from the puzzle of American exceptionalism, there has been growing interest in these themes cross-nationally as well. First, race inequalities may prevent the class-based political mobilization envisioned by power resources theory (Alesina and Glaeser 2004). It has long been presumed that one basis for social democratic coalitions was the ethnic homogeneity of small northern European countries. Perhaps ethnic heterogeneity inhibits the formation of the class-based solidarity that is essential in power resources theory (Hechter 2004).[6] Second, gender mobilization may act in concert with class mobilization to facilitate more generous welfare states. Several scholars have highlighted gender power resources as similarly potent to the expansion of the welfare state along with class-based power resources (Misra 2002). Third, even though some welfare states may appear more economically egalitarian, the consequences for women, ethnic minorities and immigrants are less clear. Rather than examining poverty or inequality overall, it may prove valuable to also investigate the feminization of poverty (Brady and Kall 2008), how welfare states may actually inhibit gender equality (Mandel and Semyonov 2005), and the "outsiders" to generous welfare states (Rueda 2005).

Power resources theory has not stood still in the face of these criticisms and there have been several cogent revisions and modifications. One of the more compelling revisions is Huber and Stephens' (2001) power constellations approach. In their account, Huber and Stephens incorporate institutional factors like veto points (electoral rules, legislative systems, etc.), the historical path dependent influence of political parties, the impact of constituencies of beneficiaries in "ratcheting" up welfare programs, and gender power resources. They develop a synthetic model of welfare state variation that integrates the variables of many competing explanations. Moreover, those scholars link welfare states and production regimes to explain poverty and inequality. At the same time, Huber and Stephens maintain power resources theory's interest in working class politics.

Ultimately, power resources has had a sort of paradigmatic centrality in the study of welfare states and the politics of inequality. On one hand, that centrality is justly deserved. The pioneering contributions of these scholars since the late 1970s catalyzed a great deal of research and made many salient contributions to our understanding of the politics of inequality. On the other hand, the criticisms of power resources theory have substantial merit. At the very least, research in this area must take the three criticisms seriously. Thus, we suggest a balancing act for scholars of the politics of inequality. We should continue to recognize the value of power resources theory to how we explain inequality, but we should also move with urgency to incorporate and address its limitations.

[6] Of course, one problem with this argument is the presence of welfare states that are clearly more generous than the U.S. despite having at least as much ethnically heterogeneity and immigration as the U.S. (e.g. Australia, Canada, Luxembourg, Switzerland, etc.) (Brady 2007).

POLITICAL ACTORS

Perhaps the most straight-forward way to show how politics influence inequality is to identify key political actors that have been associated with variation in inequality. Although a few key individuals can on rare occasions have great influence on inequality, most of the politics of inequality is driven by collective actors.[7] Only collective actors have the costly resources to leverage power over other actors in the national political arena. Collective political actors need to maintain a constant presence in national capitols, be able to monitor often fine-grained information about policy, communicate to diverse constituents and supporters, and be able to threaten to or actually challenge the power of office-holders and elites (Knoke et al. 1996). Moreover, collective political actors need to be embedded in networks of other collective actors and use this embeddedness for influence. By collective actors, we have in mind a broad set of actors besides just interest groups. Sometimes the collective actors driving the politics of inequality are not officially an association or group (e.g., in the political influence of "business"), and thus, interest groups are but one type of collective actors.

Political actors can have direct and indirect effects on inequality. Thus, borrowing from Link and Phelan's (1995) influential work in medical sociology, we can think of political actors as "fundamental causes" of inequality.[8] Political actors embody the power relations that determine policies influencing inequality, and affect inequality through multiple mechanisms including some beyond policies. Political actors may maintain an association with inequality even given changes in policies and/or net of policies (e.g., the effect of unions on wage inequality during different government administrations or policy regimes). In short, political actors can influence inequality directly or indirectly by shaping policies (see below) that influence inequality. Finally, it is worth noting that political actors can matter both in terms of capacity and mobilization, and both inside formal political arenas and through informal dissensus politics.

Several scholars have identified political parties as key actors shaping inequality. The most well-established finding has been that leftist parties contribute to generous social policies (Allan and Scruggs 2004; Brady et al. 2005; Hicks 1999; Korpi 1983; Korpi and Palme 2003; Sassoon 1996) and lessened inequality (Huber and Stephens 2001). Leftist parties define the social rights of citizenship to guarantee economic security for a broader share of the population and to institutionalize egalitarianism. Scholars have specifically linked leftist party power with reduced income inequality (Mahler 2004; Korpi and Palme 1998), poverty (Brady 2003; Moller et al. 2003), working conditions (Burgoon and Baxandall 2004), earnings inequality (Pontusson 2005; Rueda and Pontusson 2000), and wages (Western and Healy 1999). Extending beyond the affluent democracies, Huber and colleagues (2006) show that a left-leaning legislative partisan balance is associated with lower inequality in Latin America since 1970.

Some have also called attention to the inequality consequences of non-Leftist parties. Bradley and colleagues (2003) have shown that Christian Democratic parties also trigger greater redistribution across affluent democracies. Perhaps rising inequality has been driven by the ascent of market fundamentalist and neoliberal ideology (Harvey 2007).

[7] Among the individuals shown to have substantial effects are particularly effective politicians, social movement leaders, and policy intellectuals that act as institutional entrepreneurs in delivering social change (e.g. Amenta 1998).
[8] Link and Phelan explain that the fundamental causes of disease – like class – should get more attention than proximate risk factors. They explain that even if interventions reduce risk factors, the fundamental cause will find a new risk factor to trigger inequalities in disease. See also Lieberson's (1985) "basic" cause.

Right parties have ushered in a program of monetarism, privatization and free markets and have at least attempted to dismantle welfare states, labor unions and social democracy. A few suggestively link conservative regimes, right parties and inequality (Lo and Schwartz 1998; Mahler et al. 1999; Navarro and Shi 2001; Sassoon 1996). Brady and Leicht (2008) demonstrate that the cumulative power of rightist parties since World War II is a powerful influence on income inequality in affluent democracies. They show that the effects of right parties might even be larger than the effects of leftist parties and labor unions, especially for the gap between the affluent and middle class. They also explain that the rise of rightist parties has probably contributed to the Great U-Turn of increased inequality since the 1970s. There is accumulating evidence linking right parties with less progressive taxation, reductions in welfare transfers to the poor and the vulnerable, and the privatization of welfare programs (Allan and Scruggs 2004; Amenta 1998; Blyth 2002; Campbell and Pedersen 2001; Zylan and Soule 2000) – all policies that plausibly could influence inequality.

Beyond legislation, parties can also indirectly influence inequality through the appointment and control of administrative officials that vary in the enforcement of law. For example, if parties exert pressure for the enforcement of overtime pay rules, minimum wage laws, and the right to collectively bargain and organize unions, this could trickle down to inequality (Voss and Fantasia 2004). Plausibly, the policies enacted by leftist parties could lose potency due to the administrative neglect of rightist governments. Right parties often revise and weaken regulations that protect workers, and make it more difficult to form unions and recruit union members (Brady 2007; Western 1997).

The influence of parties on unionization efforts speaks to a second key collective actor influencing inequality: labor unions. Where unions have high membership levels, the earnings distribution is compressed (Mares 2004; Moene and Wallerstein 1995; Mosher 2007; Rueda and Pontusson 2000; Wallace et al. 1999; Wallerstein 1999) and average wages tend to be higher (Freeman 1999; Kalleberg et al. 1981; Leicht 1989; Leicht et al. 1993; Volscho and Fullerton 2005; Western and Healy 1999). Rosenfeld (2006b; also Mosher 2007) demonstrates that the decline of unionization in the U.S. has clearly contributed to rising inequality. Historically, unions could exert influence on inequality by using strikes (Wallace et al. 1999). However, in recent decades and at least in the U.S., the strike has become less potent (Rosenfeld 2006a). Thus, unions may be more likely to influence inequality because of negotiation (especially in institutionalized corporatist arrangements), the control of the supply of competing workers, the protection of the property rights of jobs, and by influencing policies and partisan politics.

One political actor that may influence inequality and is gaining renewed attention is business. In the U.S., business owners and managers overwhelmingly financially support U.S. Republican candidates (Burris 2001). The political activism of business and elites in funding and leading rightist policy formation networks could certainly contribute to rising inequality as well (Domhoff 1998; Jenkins and Eckert 1989; Mills 2000; Mizruchi 1992). By collaborating with and sponsoring rightist parties, business often contributes to policies favoring the top of income and earnings distributions. In contrast to this kind of anti-welfare state politics envisioned by power resources theory, however, there is some recent political science research suggesting that business political action could result in lessened inequality because business supports the welfare state (Hall and Soskice 2001). Swank and Martin (2001) show that business associations often mobilize for welfare state expansion. The view is that business supports the welfare state when labor markets are corporatist, cooperative, and coordinated, and there is a presence of cross-class alliances (Swenson 2002). Although the literature on varieties of capitalism points to configurations of institutions that provide incentives for business to support generous social insurance for example (Hall and Soskice 2001), we urge against

interpreting business politics as supportive of egalitarianism in all contexts (Swenson 2002: 143–144).[9] As one final dimension of how business might affect inequality, Gordon (1996) offered a unique and novel argument about the growth of and growing power of managers. Gordon called attention to the swelling managerial class, how it creates a bureaucratic burden on firms, and how it contributes to rising earnings inequality and stagnating worker wages. Gordon contends that increases in management are a manifestation of a "stick" strategy – as opposed to a "carrot" strategy – where business disciplines workers into greater productivity.

Two final political actors that could influence inequality are think tanks and intellectual entrepreneurs. Though we suggest that these could be avenues by which business influences inequality, there actually has not been much research linking these to inequality. Perhaps deep changes in how policy makers think about monetarism, free markets and deregulation have had some influence on inequality, and these changes have been at least partly influenced by think tanks and intellectual entrepreneurs (Harvey 2007; Perrucci and Wysong 1999). Certainly, there is evidence that intellectual entrepreneurs and think tanks have had success in constructing Keynesianism and social democracy as in crisis, and framing egalitarianism as detrimental to competitiveness and efficiency (Blyth 2002; Campbell and Pedersen 2001; Chwieroth 2007; Harvey 2007; Sassoon 1996). Plausibly, this ideological project creates an environment where calls for egalitarianism have reduced legitimacy and popular appeal. Nevertheless, compared to the evidence for other actors, the influence on inequality needs to be studied more thoroughly.

POLITICAL INSTITUTIONS

Beyond collective actors, and often mixed up with collective actors, political institutions can exert substantial influence on inequality. Institutions can be understood as the rules of the game, stable arrangements, legal and regulatory frameworks, and more generally the state and societal infrastructure governing politics and markets (Campbell and Pedersen 2001; Fligstein 2001). For our purposes, political institutions include electoral rules and practices, the decentralization of government, and labor market institutions. In recent years, many studies have linked a wide variety of institutions with inequality.

For at least a few decades, there has been an interdisciplinary debate about the consequences of democracy for inequality and well-being. Reviewing many studies, Sen (1999) explains that democracy tends to reduce human suffering, including measures like infant mortality. Sen gives the well-known example that no democracy has ever experienced a famine, and he explains this is because democratic governments are forced to respond to extreme deprivation. There has been some criticisms of the robustness of the link between democracy and infant mortality (Ross 2006), and there is still room for debate. Still, a set of studies has demonstrated that democracy in developing countries contributes to reduced inequality (Bollen and Jackman 1985; Reuveny and Li 2003; Simpson 1993; Waylen 2007). With both well-being and inequality, democracy matters because it engenders governmental responsiveness and thus encourages taxation of the affluent, and public sector spending on services, education and public goods

[9] As an example of such a configuration, business may be more in favor of the welfare state under more regressive taxation. If public social insurance is funded by taxes borne by workers, with only modest employer contributions, and those employer contributions are less costly than private insurance, business might have incentives to support public social insurance because of lower costs in the long run.

(Avelino et al. 2005; Rudra and Haggard 2005). Stasavage (2005), for example, shows that democratization in Africa prompted governments to spend more on primary education. Interestingly, Lee (2005) demonstrates that government spending only reduces inequality (in developed and developing countries) in interaction with democracy. Thus, greater government spending is only likely to really matter in the presence of democratic regime. Huber and colleagues (2006) are able to replicate Lee's finding in Latin America as well. Thus, there seems to be convincing evidence that democracy forces government to be more responsive and spend more on public well-being.

Extending general claims about the power of democracy to trigger egalitarian distributions of resources, several scholars have linked electoral institutions with inequality in affluent democracies. Perhaps echoing the theme in the previous paragraph, one key finding has been that proportional representation (PR) electoral systems produce more egalitarianism than single member district plurality systems (Alesina and Glaeser 2004; Beramendi and Anderson 2008; Wilensky 2002). Brady (2009) shows that PR systems generate less poverty than single member district systems. Partly, this is because PR systems directly influence the distribution of income, and partly this is because PR systems favor Leftist political parties. Perhaps the emblematic statement of this is Iversen and Soskice (2006), who demonstrate with both a formal theory and empirical evidence that Leftist parties benefit from PR systems and that Rightist parties benefit from single member district plurality systems. This work on PR systems is convincing, but relative to other areas in the politics of inequality, this work is just building. One underexplored question is how much of the PR effect is related to associated political institutions. For example, PR systems tend to be present where campaigns are shorter and more publicly financed. Yet, we could not locate any studies that examine the effects of systems of private vs. public campaign financing on inequality. This is noteworthy given that business likely has some influence on inequality and can probably exert this influence more in privately financed campaign systems.

Because democracy and electoral systems influence inequality, it may not be surprising that the actual turnout of voters is consequential. Where voter turnout is higher, poverty tends to be lower (Brady 2003). Again, this tends to be tied up with other Leftist institutions like Leftist parties and PR systems. The egalitarian effects of turnout could be because the increased turnout draws more economically and educationally disadvantaged segments of the population into the electorate. Perhaps, increased turnout and greater political representation are linked to greater social spending (Ansolabehere et al. 2002). If so, this suggests that the disenfranchisement of marginal groups – for example, the formerly imprisoned – might lead to less egalitarianism because politicians have less obligation to represent and respond to them (Manza and Uggen 2006). Because many affluent democracies experience high voter turnout as a result of legal requirements that all citizens vote, this raises interesting questions for developing countries. In some emergent democracies, voter turnout is often high and legally required. So, for example in Peru where citizens face stiff penalties for failing to vote, it will be interesting to see if that country's recent turn towards democratization leads to more egalitarian development.

In recent years, political scientists and political sociologists have called attention to regional dynamics, both within and between nation-states. This work is quite new, but the early research suggests that there are important political influences on inequality embedded in various regionalisms. Within nation-states, there is some evidence that greater federalism and decentralization contributes to heightened inequality (Beramendi and Anderson 2008). In the U.S., for example, the recent devolution of social policy to states has led to greater stratification in benefits and eligibility requirements (Fellowes and Rowe 2004). As was the case in the history of U.S. social policy (Amenta 1998; Quadagno 1994), it is fairly clear that the

more decentralization there is, the greater the exclusion of some groups from the full benefits of citizenship. Across nation-states, the regional integration of countries into supranational entities also has consequences for inequality. For example, Beckfield (2006) demonstrates that the entry and participation in the European Union (EU) led to greater income inequality within member states. Beckfield argues that this is because the EU encouraged fiscal austerity and the enactment of global scripts of neoliberalism (Campbell and Pedersen 2001).

The final institution worth discussing is perhaps one of the most well-studied institutions. There has been a vibrant literature, especially in political science, on how labor market institutions like wage centralization, corporatism, and unionization affect earnings and inequality (Beramendi and Anderson 2008; Mares 2004; Moene and Wallerstein 1995; Oskarsson 2005; Rueda and Pontusson 2000; Western and Healy 1999). The vibrancy of this literature reflects the longstanding interest in how some (especially European) countries are distinctly cooperative and corporatist in the organization of labor markets, combined with the aforementioned interest in how unionization affects inequality (see Hall and Soskice 2001; Korpi 1983; Wilensky 2002). These more corporatist labor markets are focused more on long-term stability of firms, and tend to compress the earnings distribution and ensure greater job security for workers. For example, Wallerstein (1999) concludes that labor market institutions, especially labor market centralization as well as unions, are the most important predictors of earnings inequality across affluent democracies. Pontusson (2005) traces the differences in inequality between Europe and the U.S. to a combination of politics and labor market institutions. Blau and Kahn (2002) and others have suggested that there are tradeoffs to these more egalitarian corporatist labor markets, including a lessened ability to generate new jobs and facilitate the entry into the labor market for young workers. Yet, the debate often seems to depend on how one measures labor market performance and what is defined as a labor market institution. For example, Western and Beckett (1999) challenged the assumption that the U.S. had lower unemployment than Western Europe by demonstrating that this is partly due to the dramatically higher rates of imprisonment in the U.S. (where millions of less employable workers are "removed" from the labor market).

POLITICS, POLICIES AND WELFARE STATES

The influence of policies and welfare states on inequality has long been a central concern for scholars of politics (Wilensky 2002). For the past several decades, there has been a vigorous debate about how to measure the welfare state. Since at least Esping-Andersen's (1990, 1999) influential criticism of general spending measures, there has been a lot of enthusiasm for nuanced measures of the welfare state focused on the *quality* of welfare programs instead of the *quantity* of welfare effort.[10] By the late 1990s, most welfare state scholars considered it inadequate to examine general spending measures, and many advocated for measures similar to his decommodification index. For example, Korpi and colleagues used an index of the social rights of citizenship (see Korpi and Palme 2003).[11] Several scholars advocated for measures of social wages: the amount of income a worker would receive if one were to stop working and rely solely on the state (e.g., Freeman 1999). Recently, Allan and Scruggs (2004)

[10] These critiques went hand in hand with Korpi and Palme's (1998) contention that "encompassing" welfare states that uphold social citizenship rights for all universally – as opposed to those that guarantee basic economic security for those at the bottom – were more successful at reducing poverty.

[11] Unfortunately, their measure has never been publicly available, so scholars have been unable to replicate the analyses of Korpi and his collaborators.

have recreated and extended Esping-Andersen's original decommodification index and provided publicly available data for affluent democracies over time.

In addition to focusing our attention on the qualities of welfare states, Esping-Andersen (1990) made a fundamental contribution by calling attention to the three different types of welfare states or what he called liberal, conservative and socialist regimes.[12] These regimes represent the genetic historical legacies of social policy development and the state's particular institutionalized tradition of intervention into the market. The liberal regime is epitomized by the U.S. and typically includes Ireland, Australia, Canada and the U.K. This regime is based on free market and individualistic ideology; and involves means-tested benefits targeted at the poor's basic security. The best example of the conservative regime is Germany and other examples include Switzerland, Austria and France. This regime emphasizes social insurance (for unemployment, sickness and old age), especially for male breadwinners and their families. This regime developed during authoritarianism, and reflects a tradition of corporatism, Catholicism, and familialism. The Scandinavian countries more or less make up the socialist regime. This regime features universal welfare programs guaranteed to all citizens; extensive public employment systems; and generous family leave policies. With their near complete unionization and female labor force participation, socialist regimes are uniquely collectivist and egalitarian.

While substantial progress has clearly been made in this field, Esping-Andersen's conception of welfare regimes is not without limitations (Brady 2009). The literature has followed Esping-Andersen and assumed three things: (a) decommodification-based measures are more valid than welfare effort measures[13]; (b) regimes supposedly reflect core differences in the institutionalization of equality that *cannot* be captured by simply analyzing the quantitative levels of welfare effort;[14] and (c) social policies are expected to have different effects across the three regimes.[15] The problem is that there has never been much evidence to support these assumptions. Indeed, Brady (2005, 2009) shows with analyses of poverty that all three assumptions may be wrong (but see Beramendi and Andersen 2008; Scruggs and Allan 2006). In the area of gender inequality, there is rather convincing evidence that Esping-Andersen's claims are inappropriate (Misra 2002; Orloff 1993). Thus, it remains an open question (and may even be dubious) as to whether decommodification-based measures have greater predictive validity than the old-fashioned welfare effort measures. Moreover, rather than asserting the essential need for typologies of states, it would be more appropriate for scholars to actually provide evidence that these typologies enhance our explanations of poverty and inequality.

Beyond the debates about Esping-Andersen, one could list all social policy analyses as somehow assessing the political sources of inequality. In the interests of brevity, we simply

[12] The literature has experienced a proliferation of typologies, and also refers to institutional clusters and systems. Korpi and Palme (1998) divide countries along a targeting versus universalism continuum. Huber and Stephens (2001) break welfare states into the social democratic, Christian-democratic, Mediterranean, Antipodean, and liberal types. Hall and Soskice (2001) argue that countries can be collapsed into coordinated and liberal market economies. Even before these typologies, there were classic distinctions between residual and institutionalized welfare states, or civil, political and social rights (Wilensky 2002).

[13] Esping-Andersen (1990: 2, 19, 58) specifically wrote: "The existence of a social program and the amount of money spent on it may be less important than what it does;" "Expenditures are epiphenomenal to the theoretical substance of welfare states;" and, "Welfare states may be equally large or comprehensive, but with entirely different effects on social structure."

[14] Hicks and Esping-Andersen (2005: 511–512) summarize this prevailing view: "The sociological conceptualization of welfare states is now dominated by the idea of distinct real-world models, thus rejecting the notion that they can be compared simply along a linear dimension – such as social spending levels.

[15] Esping-Andersen (1990: 76–77) writes, "It is misleading to compare welfare states as merely 'more' or 'less' egalitarian. We discover, instead, entirely different logics of social stratification embedded in welfare-state construction."

review a few examples of how policy makes inequality an explicitly political outcome (Page and Simmons 2000). For example, several scholars have recently demonstrated that welfare state generosity is one of the most important (if not the most important) influences on cross-national variation in poverty and inequality (Bradley et al. 2003; Brady 2005, 2009; Brady and Kall 2008; DeFina and Thanawala 2004; Korpi and Palme 1998; Misra et al. 2007; Moller et al. 2003; Rainwater and Smeeding 2004). Since cross-national differences in welfare generosity clearly owe a great deal to politics, this literature suggests that poverty and inequality are deeply influenced by politics. With the global advance of neoliberalism, political scholars have noticed that the cutbacks to government programs and the privatization of social services have had clear inequality effects (Lobao and Hooks 2003). A few studies have examined how dimensions of neoliberalism and market transition undermine the possibilities for upward mobility (Gerber and Hout 2004; Parrado 2005). Several others examine how inequality is affected by components of the welfare state (including specific programs like unemployment or pensions, Gangl 2006), taxation (Block and Manza 1997); government-sponsored or -mandated maternity leave and childcare programs (Chang 2004; Mandel and Semyonov 2005; Pettit and Hook 2005), and the state as public employer (Gornick and Jacobs 1998). Indeed, recent innovations in cross-nationally comparable micro-level data have greatly advanced the study of how different policy contexts explain varied dimensions of inequality.

Although research on policy effects on inequality has cumulatively demonstrated the political nature of inequality, there is at least one way in which research in this area could advance. Probably even more attention could be directed to how the regulatory state, and not just the welfare state, shapes inequality. Certainly, the state shapes what is permitted for how people earn incomes, how families are allowed to save and keep that income, and how business is allowed to allocate compensation to employees, managers and owners. Yet, these dimensions of the state remain relatively understudied. For example, compared to research on social policy, there is relatively little work by sociologists and political scientists on the effect of minimum wages (Beramendi and Andersen 2008; Volscho 2005). One productive line of research on the regulatory state has been the recent attention paid to how imprisonment shapes inequality. Western (2007) and others have shown that the massive rise in U.S. imprisonment has significantly contributed to racial differences in employment and earnings. Two other understudied dimensions of the regulatory state include affirmative action/equal employment opportunity and immigration. As these two dimensions continue to be highly salient aspects of state policy, their consequences for inequality may actually grow.

REDISTRIBUTION OR DISTRIBUTION?

Research on how policies, politics and inequality could also advance by moving beyond the commonly employed discourse of "redistribution." Normally, scholars attempt to untangle the consequences of states/policies for income inequality and poverty by simulating the distribution of income *before* taxes and transfers ("pre-fisc"). This conventional approach estimates the value of every household's income while adding back the value of taxes paid and subtracting the value of transfers. This is supposed to simulate what income would look like before taxes and transfers.[16] Many analysts have extended this logic to calculate pre-fisc poverty rates or

[16] This simulated counterfactual is probably most useful when analyzing individual employed adults. As the majority of their income comes from labor market earnings, perhaps it is not unreasonable to estimate what a working adult's pre-fisc income might have been.

pre-fisc inequality levels for the entire population. Pre-fisc is supposed to represent the private sector or labor market earnings, and "post-fisc" is supposed to incorporate the state. Indeed, it has become conventional to estimate pre-fisc and post-fisc poverty or inequality, and then take the rate of change between the two and call that "redistribution." Despite its widespread use, there are serious micro-level and macro-level problems with this approach.

On a micro-level, pre-fisc measures are deceptive. The elderly usually have little pre-fisc income in most countries as they often rely on public pensions. Working adults have also gained greatly from state investment. Human capital, an essential factor behind any labor market earnings, is shaped deeply by public investments in education. This clearly affect private labor market earnings, and owners and managers profit from this. Further, vast numbers of working adults are employed in public sector jobs or at private-sector employers who have government grants and contracts. Yet, constructing pre-fisc measures forces analysts to act as if earnings are independent of the state. In reality, no household exists in, and there is no such thing as, a pretax and pretransfer world. Indeed, Bergh (2005) has recently convincingly demonstrated that pre-fisc estimates are biased by the fact that state taxes and transfers actually do impact how much people earn, and whether people work, retire or leave the labor force to care for family.[17] Thus, it is disingenuous to simulate a person's income before state involvement since the state permeates every individual's labor market opportunities.

On a macro-level, it is unrealistic to reify these simulations of individual pre-fisc income into national-level estimates of poverty, inequality and redistribution. One of the emerging conclusions of economic sociology is that states and markets inherently constitute each other (Esping-Andersen 2003; Fligstein 2001). States are always involved in the allocation of economic resources to workers, managers and especially owners. States do not simply respond to what markets have initiated; states define and constitute markets.

> The state plays a pivotal role in establishing the very possibility of markets through the coercive enforcement of property rights that directly impact on the nature of market-generated distributions. In all sorts of ways the state is involved in regulating aspects of market exchanges and production – from health and safety rules, to credentialing requirements in many labor markets, to labor laws – that impact on the income distribution process. It is therefore misleading to talk about a clear distinction between pure "distribution" of income and a process of politically shaped 'redistribution (Wright 2004: 3–4).

Since the state is *always* involved in the market, there is really is no such thing as income *before* the state. All of the private sector has some state influence – even if just by the state protecting the property rights or governing the rules of exchange in the private sector. Markets simply cannot exist prior to the state, as the process of market formation necessitates state formation (Fligstein 2001). Bergh (2005) explains that precisely because people are influenced by the state when earning income, a person's pre-fisc income is not severable from taxes and transfers. As a result, we cannot estimate what the income distribution would be as if the state does not exist. Ultimately, it is deceptive to define taxes and transfers as

[17] Bergh demonstrates specifically: (a) how welfare states redistribute between individuals and over the life-cycle; (b) the interdependence between pre-fisc incomes and taxes and transfers; (c) the incorrect description of the redistributive effect of social insurance that crowds out market insurance; and (d) how welfare states influence the distribution of earnings through education. People consider their expected taxes and transfers when making decisions about labor market behavior, and this biases pre-fisc estimates.

"re"-distribution and it is unrealistic to calculate what the pre-fisc income distribution would be before the state.[18]

Rather than continuing to frame political effects on the income distribution as a question of redistribution, it would be more justified for scholars to call it simply distribution. Consistent with contemporary economic sociology's view of how states shape markets (Fligstein 2001), politics should be implicated in organizing the distribution of economic resources. Through governing the rules of exchange between workers and owners and managers, or regulating currencies and business, or providing public goods like education and health care, or by facilitating transportation and communication or even simply by creating jobs; the welfare state shapes how much income each household receives. Importantly, framing of redistribution forces us to neglect and obscure how states govern the accumulation of profits and income for the affluent as well as the poor.[19] The imagery of redistribution artificially insinuates that there is a two-step process, where markets naturally distribute income and states only subsequently intervene to redistribute that income. But, no such two-step process exists. States do not simply follow what markets have initiated; states enable and allow markets to happen. Ultimately, we suggest that moving away from discourse of redistribution would be a productive step for scholars of the politics of economic inequality.

DISCUSSION

Our chapter has reviewed the political sources of economic inequality. Our aim has been to document and demonstrate how inequality is not simply the byproduct of economic and demographic developments. Instead, we claim that much economic inequality can be explained by politics. In particular, we highlight the role of political actors, political institutions and policies. In recent years, this area of inquiry has grown substantially, and this is in part due to advances in cross-national and historical data on inequality. Classic accounts, from Kuznets, Lenski and others cannot fully explain all of the macro-level variation in inequality, and there are certainly are many intriguing questions to be addressed.

Throughout the chapter, we have mentioned several remaining questions and areas where greater research is needed. Beyond these specific points, we suggest there are at least two major areas in which future research should be headed.

[18] As a final illustration of these problems, consider the Earned Income Tax Credit (EITC) in the U.S. Because the EITC is a tax refund, and pre-fisc is a simulation of one's income excluding all taxes paid and transfers received, studies treat the EITC in confusing and contradictory ways. The EITC mostly refunds labor market earnings that were taxed. So, it is pre-fisc income, but it is also "post-fisc" as the state gives it back at the end of the year after receiving some paperwork. Also, there is a transfer component of the EITC as it gives more to the bottom of the earnings distribution. Certainly, the majority of EITC recipients are aware of it, and many probably factor it into their labor market behavior. Pre-fisc income may be underestimated because people are being taxed, and alternatively redistribution might be overestimated because they are mostly just getting those pre-fisc earnings back. Very small in previous decades, the EITC has grown into the largest family assistance program in the U.S. As a result, ignoring the EITC severely undermines reliable comparisons of pre-fisc income or redistribution over time. Because the U.S. heavily relies on the EITC to alleviate poverty and other affluent democracies rely more on transfers, international comparisons of pre-fisc income or redistribution are untrustworthy.

[19] Framing all this as distribution may even be consistent with power resources theory. As Korpi (1983: 188) explains, "The intervention of the state in the distributive processes in society is thus not limited to measures directed towards persons with publicly acknowledged needs."

First, one increasingly influential theme in political sociology and political science is that there are feedback dynamics (Skocpol 1992). Social policies create constituencies of beneficiaries, who in turn, provide political support for specific social policies and welfare states in general (Pierson 2001). For example, the elderly tend to be beneficiaries of public pension systems, and consequently tend to support social policies protecting the poor (Brady et al. 2005). Partly because of these feedback dynamics, welfare states can be said to *institutionalize* equality (Brady 2009). Welfare states are both shaped by and contribute to societies' ideologies. That is, how societies normalize collective expectations about whether various economic distributions are appropriate and just (Brooks and Manza 2007). As a result, welfare policy tends to be highly path dependent, and it is quite difficult to cut welfare programs due to their political popularity.[20] One theme in this literature is that universal programs guaranteed as a citizenship right tend to have far more political support than means-tested programs targeted at the vulnerable (Skocpol 1992). This literature has productively informed our understanding of welfare politics, however, we would suggest that the next step to inequality has not been fully explored. Plausibly, scholars could examine how policies shape inequalities through this mechanism of political support. One interesting question would be if universal welfare programs are less likely to contribute to racial/ethnic divisions – which themselves compound socio-economic inequalities (Quadagno 1994). As well, it would be valuable to study the interactions between political actors, political institutions and inequality (see Beramendi and Anderson 2008). Under certain political institutions like a highly deregulated and decentralized labor market, labor unions are weaker and probably have less potent effects on worker earnings and inequality. Where public employment is extensive, it probably reduces inequality by providing stable and well-paid employment. At the same time, public employment contributes to unionization, which then may interact with public employment to reduce inequality. These sorts of interactions could lead to a next generation of research on the politics of inequality. Whereas we have a pretty good picture of the key actors and their effects on inequality, we have not fully explored how institutions, actors and inequality reciprocally influence each other with potentially egalitarian consequences.

Second, despite the clear cross-national bent of the literatures we have reviewed, scholars of the politics of inequality (including the authors of this chapter) have given insufficient attention to less developed countries (LDCs). When compared with the vast quantity of studies of affluent democracies, there is a striking lack of research on the politics of inequality in LDCs. We acknowledge the important work of some scholars who have taken steps in that direction (e.g., Huber et al. 2006; Lee 2005). Unfortunately, the study of the politics of inequality, like so much of U.S. sociology, continues to neglect many of the world's regions and peoples. There is very little research on the most unequal region of the world Latin America, and even less research on the most deprived region of Sub-Saharan Africa. Even applying very orthodox and traditional questions and theories to these regions would be a rare contribution. Certainly, applying classic theories, like power resources theory, to understudied LDCs would be an opportune way for young scholars to make a significant impact.

Ultimately, we conclude this essay by pointing to the substantial growth in this area of inquiry. Social scientists have responded with a rich literature to the escalation in economic inequality that has occurred in several countries. At this point, we can confidently state that sociologists and political scientists have convincingly shown that economic inequality is not simply the domain of economists or demographers. Politics should be part of all explanations of variation in economic inequality.

[20] Of course, there is debate about whether or not welfare states have actually experienced substantial retrenchment in recent decades (Huber and Stephens 2001; Korpi and Palme 2003). This area is quite unsettled and there is equal evidence that welfare states have experienced stability or a plateau rather than a crisis (Brady et al. 2005).

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