RICH DEMOCRACIES, POOR PEOPLE
How Politics Explain Poverty

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Beyond Individualism

By the accident of birth, people face incredibly different odds of experiencing poverty. We are born into families that predict much of our socioeconomic attainment in life. Yet, even more consequentially, we are born into countries that carry with them a probability of poverty for their citizens. Poverty has existed as long as there have been markets, but what is striking about the contemporary world is how much poverty varies across countries. Those born into egalitarian countries are much more likely to be economically secure in their youth, sickness, and old age. In other countries, a much larger share of the population will be poor at some point in their life. For the most part, we do not get to choose the probability of poverty we face. Instead, our societies contextually shape the odds that an individual in a given country will be poor. Obviously this is true if one compares affluent democracies of Western Europe, like Sweden, to struggling Sub-Saharan African countries, like Sudan. But this is also true if one compares Sweden to the United States.

Even among these rich democracies, cross-national and historical variation in poverty is profound. In the postindustrial era, there have been dramatic differences between the affluent Western democracies and between the 1970s, 1980s, and 1990s. The United States maintains nearly twice as much poverty as its neighbor Canada. Even more striking, the United States has three times as much poverty as some West European countries. Nearly 20% of Americans are poor, and almost a fourth of U.S. children and elderly are poor. Though the United States might be the richest country in the...
history of the world, roughly 50 million Americans are relatively deprived. And despite commentary to the contrary, these high levels of U.S. poverty have been stable for decades. In 1974, 16.8% of the United States was poor. In 2000, 18% was poor. There is nothing necessary or natural about these extremely high levels of U.S. poverty. There are many varieties of capitalism that perform efficiently without these levels of relative deprivation. Compared to all other affluent Western democracies, the United States is iconically unequal.

Yet, this is not only a story of American exceptionalism. There is substantial cross-national and historical variation among other affluent Western democracies, as well. In 1987, only 6.7% of Austria was poor, but by 1995 nearly 11% was poor. Denmark’s poverty declined from more than 10% in 1987 to 5.2% in 1995. Poverty in the Netherlands doubled from less than 4% in 1983 to more than 8% in 1994. The United Kingdom, previously far more egalitarian than now, has seen poverty rise from 5.5% in 1969 to around 9% in the 1970s and 1980s, all the way to 14.5% in the 1990s. Canada used to have high poverty, but its poverty has declined precipitously in recent decades. Ireland, Spain, and Australia have about twice as much poverty as the Scandinavian countries. The United Kingdom has much more poverty than the Netherlands, and Switzerland has more poverty than Germany.

Figure 1.1 maps the 18 affluent Western democracies for which data exist in the Luxembourg Income Study (LIS)—the leading international data source on poverty. Each country is shaded according to its average level of poverty from 1989 to 2002. The shading represents the percentage of the entire population that is poor. The Scandinavian countries, the "low countries" of Belgium, Luxembourg, and the Netherlands, and Germany have maintained average poverty levels of less than 7% of the population. Indeed, Belgium, Finland, Luxembourg, the Netherlands, and Norway even had years when less than 5% of the population was poor. Not far behind are Austria, France, and Switzerland, with an average of less than 10% poverty. At the other end of the spectrum is the United States, alone among the affluent Western democracies with average poverty levels greater than 17%. In between are Australia, Canada, Ireland, Italy, Spain, and the United Kingdom, with more than 10% poor but with less poverty than the United States. By focusing only on affluent Western democracies, one cannot fall back on the tautology that rich countries have less poverty and poor countries have more. All of these countries are "rich" compared to the vast majority of countries and people in the world. But even within these affluent democracies, there is enormous cross-national and historical variation in the amount of poverty.

This variation in poverty is important not only because egalitarian societies might be more just. This variation is also significant because countries with high poverty experience more crime and suicide, greater health problems, weaker economic productivity, and undermined development and well-being among children. Indeed, it is reasonable to suggest that the
poverty studies explain why one group of people within a country are more likely to be poor, or why some individuals are poor while others are not. Thus, conventional poverty research stops short of confronting the enormous cross-national differences.

In contrast, I contend that these cross-national and historical differences in poverty are principally driven by politics. This book makes the simple claim that the distribution of resources in states and markets is inherently political. I explicitly seek to challenge the mainstream view that poverty is an inscrutable, if perhaps unfortunate, outcome of an individual’s failings or a society’s labor markets and demography. Instead, I argue that societies make collective choices about how to divide their resources. These choices are acted upon in the organizations and states that govern the societies, and then become institutionalized through the welfare state. Where poverty is low, equality has been institutionalized. Where poverty is widespread, as most visibly demonstrated by the United States, there has been a failure to institutionalize equality. Thus, this book answers Herbert Gans’s request that “The principal subject of poverty research ought to be the forces, processes, agents, institutions that ‘decide’ that a proportion of the population will end up poor.” In sum, institutionalized power relations theory is my answer to this question of the differences in poverty across affluent Western democracies.

Institutionalized Power Relations Theory

There are four key components to institutionalized power relations theory: (a) welfare generosity, (b) Leftist collective political actors, (c) latent coalitions for egalitarianism, and (d) institutionalized politics. Poverty is lower and equality is more likely to be established where welfare states are generous, Leftist collective political actors are in power, latent coalitions for egalitarianism exert influence, and all of this is institutionalized in the formal political arena.

At this point, it is useful to acknowledge that this book clearly stands on the shoulders of giants. The giant in studies of the politics of the welfare state and equality is power resources theory. Power resources 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. In particular, power resources theory appreciates that business maintains greater political power in capitalist democracies. Only when the working class is allied with the middle class can their power resources be sufficiently mobilized in the polity to push for redistribution. My institutionalized power relations theory is partly inspired by power resources theory. Much like power resources theory, this book disputes the naive pluralist view that politics is a game among equals. Consistent with power resources theory, I fully appreciate the realistic premise that political power is unequally distributed in a capitalist democracy. Power resources theory correctly emphasizes that opponents to social equality rest in a position of default dominance in the electoral arena. Nevertheless, there are salient differences between institutionalized power relations theory and power resources theory. This book aims to take the criticisms of power resources theory seriously and offer new directions for theories of the politics of social equality.

Welfare State Generosity

The central element of this theory is the generosity of a country’s welfare state. The welfare state is defined as the complex of social policies and programs that distribute economic resources disproportionately to a nation’s vulnerable populations. Every nation has vulnerable people, but welfare states differ in the extent to which they protect the vulnerable against economic insecurity. Broadly, welfare states include progressive taxes, cash and near-cash assistance, publicly funded services such as health care, public programs that guarantee economic security, and government activities to ensure social inclusion and economic capability. The welfare state relieves citizens from being forced to exclusively depend on the private market for economic resources. Moreover, welfare states define whether citizens are entitled to the “social right” of economic security. Welfare generosity is the proximate and primary influence on a nation’s level of poverty. Countries with more generous welfare programs and more extensive welfare services have fewer lower poverty.

The influence of welfare states on poverty can be spelled out in terms of the three crucial roles welfare states play. First, welfare states manage risk. Welfare states are public insurance programs that protect people who have experienced a loss or are stuck in a vulnerable position. For example, welfare states plan for the chance that a worker will lose a job, become a mother, face disability, or simply grow old. To protect against such risks, welfare states facilitate saving and provide social insurance through publicly mandated and publicly subsidized programs.

Second, welfare states organize the distribution of economic resources. Through governing the rules of exchange, 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. Normally, this mechanism is understood as redistribution. However, this framing obscures the welfare state’s impact. For doing so leads to the neglect of how welfare states, or states more generally, govern the accumulation of profits and income for the affluent as well as the poor. 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. But no such two-step process exists. States do not simply follow what markets have initiated; states constitute markets. As the Nobel Laureate Douglass-Clausen...
North once wrote, “The polity and the economy are inextricably interlinked in any understanding of the performance of an economy.” Rather than framing welfare states as narrowly about redistribution, this study postulates welfare states as organizing distribution.

Third, welfare states institutionalize equality. Welfare states are both a cause and an effect of a society’s ideologies about equality. These ideologies define how societies normalize collective expectations about whether various economic distributions are considered appropriate and acceptable. By creating the social conditions to govern markets, states enact a wide variety of a society’s formal and informal rules. Thus, the welfare state is the culmination of a society’s beliefs for how economic resources ought to be distributed. At the same time, welfare states shape a society’s norms and values and create constituencies of beneficiaries (the groups of citizens who subscribe to and benefit from welfare programs). These norms and constituencies feed back into the political process as key bases of support for welfare states. Thus, welfare states reflect politics, but they also have what scholars call “feedback effects” into subsequent politics. In turn, public support for welfare programs is partly a product of the welfare programs themselves. Of course, scholars have often written about how a confluence of ideology and interest shape the welfare state. Welfare states, ideology, and interest are so bound up in each other that it is not necessary to sort out which came first. What is important is understanding how social equality results from the reciprocal relationships among welfare states, ideologies, and interests. Through these relationships, countries socialize the responsibility of preventing citizens from being poor. By saying welfare states “institutionalize equality,” this is meant to emphasize that welfare states are caused by and cause collective expectations that widespread poverty is not politically and socially acceptable.

**Leftist Collective Political Actors**

Institutionalized power relations also reflect the indirect effect of Leftist collective political actors, or “Leftist politics” for short. Leftist politics include the organizations and institutions committed to a more equal distribution of a society’s resources. Among the more prominent Leftist political actors are labor unions and Leftist parties (i.e., Social Democrat, Labor, Socialist/Communist, and Green parties). Leftist politics, however, also includes the percentage of women in the legislature, the percentage of the electorate that votes, and even the rules of the electoral arena. Where Leftist politics have historically been strong, the welfare state is more generous and less poverty results.

This book advocates for the view that political action occurs at a collective, group, and macro level. While individual political behavior may matter for other outcomes, it is collective political behavior and the power relations among collective political actors that matters to poverty. Only collective actors have the resources to leverage power over other actors in the national electoral arena. Being a participant in the national politics of the welfare state is extremely costly. Collective political actors need to maintain a constant presence in national capitals, be able to monitor fine-grained information about policy, communicate to dispersed constituents and supporters, and be able to threaten to or actually challenge the power of officeholders and elites. Moreover, collective political actors need to be embedded in networks of other collective actors and to use this embeddedness for influence. In the politics of poverty, the key players are almost never individuals because individuals almost never have these sorts of resources. Institutionalized power relations theory emphasizes the centrality of collective, not individual, political actors for the welfare state and poverty.

Institutionalized power relations theory considers Leftist collective political actors to be a “fundamental cause” of poverty. In an influential article on the social influences on health, Bruce Link and Jo Phelan explain that the fundamental causes, such as class, of disease 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. This book utilizes the idea of fundamental causality to explain how Leftist politics influences poverty. By fundamental cause, the notion is that Leftist politics embodies the power relations that determine the generosity of the welfare state and affects poverty through multiple mechanisms, including some beyond the welfare state. Consequently, Leftist politics may maintain an association with poverty even given changes in the welfare state and/or net of the welfare state. In chapter 5, I elaborate this point to explain that there are two plausible causal pathways between Leftist politics, the welfare state, and poverty: channeled and combined. These pathways involve the direct and indirect effects of politics on poverty, and both incorporate the welfare state as a central factor. Because I argue that poverty is ultimately a political problem, the fundamental cause of poverty is politics. As an illustration, consider Leftist parties and labor unions.

Much of the impact of Leftist parties probably channels through the generosity of the welfare state. As many studies show, Leftist parties are a key political force that triggers welfare state expansion. Welfare states are more generous where Leftist parties have historically controlled the government. Some of the power of Leftist parties occurs through the threat to elected officials, and some occurs by replacing those officials with ones that are sympathetic to economic egalitarianism. Tightly linked to Leftist parties are labor unions. Unions regulate the labor market, ensure greater pay and benefits for workers, and restrict the compensation of executives and owners. Unions represent the organized power of workers. However, unions also represent the poor who might aspire to be workers and the workers who seek to avoid falling into poverty. In addition, unions facilitate coordinated labor market arrangements (often called “corporatism”), which encourage equitable compensation and stabilize countries during boom-and-bust
cycles. This contributes to protecting workers with long-range planning, formal cooperation, and power sharing between workers and managers. In this sense, unions might combine with the welfare state to pressure for an egalitarian distribution of business profits. Finally, these two reinforce each other. Unions contribute to the electoral success of Leftist parties, and Leftist parties enable the organizing of unions.

Latent Coalitions for Egalitarianism

This book proposes that, at least regarding poverty, Leftist politics is the manifestation of what can be called latent coalitions for egalitarianism. These latent coalitions are the diffuse, unanticipated, and often accidental groups of diverse citizens who come together to support generous welfare states and social equality. These latent coalitions are ideologically committed to normative expectations about alleviating poverty and establishing social equality. Because many of the members of these latent coalitions are not personally faced with the possibility of poverty, most of the mobilization of these actors is driven by ideology. For example, many scholars have shown that professionals tend to vote for Leftist parties even though it might not strictly be in their economic interest.11 I call these coalitions “latent” because what brings them together in support of egalitarianism and welfare states is not always anticipated or intended.12 These latent coalitions are often accidental partners in support of welfare generosity and the poor.

Playing a central role in these latent coalitions are the beneficiaries who receive government assistance, public pensions, and welfare services. This point incorporates the aforementioned feedback effects of welfare states on Leftist politics. Although the elderly, for example, may seemingly have little in common with single mothers, the elderly are often a key reason Leftist collective political actors push for more generous social policies that end up alleviating poverty among single mothers. Thus, these latent coalitions can be understood as the diffuse and diverse publics that back and vote for Leftist collective political actors. Often, these latent coalitions become visible in the public support for a generous welfare state or social equality. For example, when a mix of public opinion and advocacy groups opposed President George W. Bush’s attempts to privatize Social Security, this reflected the latent coalitions for egalitarianism in the United States. By emphasizing ideology and constituencies of beneficiaries as the microfoundations of Leftist politics, this book moves away from power resources theory’s exclusive focus on the material interests and rational choices of the working class.

Institutionalized Politics

As another departure from power resources theory, this book aims to place greater emphasis on how the politics of poverty is institutionalized.13 Institutionalized power relations theory explicitly prioritizes the role of formal organizations of Leftist political actors participating in the formal political arena. This theory is called institutionalized power relations instead of simply power relations in order to highlight that politics matters most for poverty when it occurs in the formal political system. The Left, probably more than the Right, has a romantic and nostalgic fondness for disorderly, defiant, grassroots, and militant resistance—what Frances Fox Piven and Richard Cloward call “dissensus politics.”14 Strike play a central role in power resources theory because of the ability to disrupt business profits, and much of labor’s power supposedly came from the threat to strike. Of course, it is fair to concede that such anti-institutional politics in civil society may play a marginal role in the background. Maybe strikes, riots, and student protests help cultivate an environment where Leftist formal organizations are more likely to thrive.

However, this book proposes that the effects of dissensus politics on poverty are far less consequential than the effects of formal organizations in the formal political arena. While dissensus politics is often romanticized among Leftists, I contend that bureaucratic formal organizations of parties and unions are simply more important. Formal organizations solve the coordination problems of groups, multiply the power of otherwise disconnected individuals, have the necessary resources to make a difference, and carry greater legitimacy in the national political arena where welfare policy gets decided.15 As Max Weber famously wrote in his essay “Politics as a Vocation,” “Politics is a strong and slow boring of hard boards.”16 Regarding poverty especially, it is the formal organizations in the formal political arena that end up doing this slow and hard work.

Because I argue that the welfare state is the primary influence on poverty, it follows that politics are most germane when they involve the welfare state. There is an old line about the aging bank robber Willie Sutton who, when asked why he robbed banks, replied “Because that’s where the money is.” Regarding poverty, formal politics revolving around the state are more important because the state is where the money is. No nongovernmental or charitable organization can come close to the economic resources that the state controls because of its power to tax. No other entity has the resources the state can marshal on behalf of poor people, and protests disconnected from the state are unlikely to make any difference to the poor. This book suggests that Leftist romanticization with dissensus politics may even lead to an underappreciation of the more consequential political negotiations in formal political arenas.

In addition, Leftist politics is institutionalized because the politics of poverty is path dependent. By path dependent, I mean that the politics of poverty is locked into a routine that was established in the past. One of the limitations of power resources theory is that it represents the struggle over welfare states as an iterative game of interest-driven action. Instead, I represent politics as the confluence of interest and ideology in slowly evolving
and routinized negotiations. Leftist political actors not only make the decision to mobilize for welfare generosity by calculating how many of their members will gain or lose with a new policy. Rather, Leftist actors instinctively and reflexively establish egalitarianism through slow, often small, but cumulative historical increments. Instead of viewing each election as an opportunity to reduce poverty and inequality, I contend that welfare generosity is locked in place and only very slowly can evolve toward or away from egalitarianism. Thus, the politics of poverty is habitualized. Earlier settlements over the welfare state reinforce the ongoing politics of poverty.

To help make sense of how institutionalized power relations theory explains poverty, the failed Clinton health care reform serves as a useful example. In 1994, President Clinton unveiled a moderate reform that included private- and public-sector health insurance and only modestly increased taxes. This was not a substantial move toward socialized medicine, as it left the responsibility of health insurance mainly to employers. Although many factors drove its defeat, one can interpret this policy-making episode with the key elements of institutionalized power relations theory: welfare state generosity, Leftist collective political actors, latent coalitions for egalitarianism, and institutionalization.

Had the Clinton plan become law, this book suggests that poverty would have declined (see chapter 4). With an even more generous government-run “single-payer” plan like we see in several Western European countries, the United States could have become a substantially more egalitarian society. Health care reform would have provided better social insurance against the risk of getting sick or losing one’s job. The higher taxes to pay for the reform would have distributed economic resources downward toward the vulnerable. Also, socializing the medical system more fully could have institutionalized the collective responsibility of health for all citizens. The privatized health care system that remains after the failed reform is emblematic of the meagerness of the U.S. welfare state.

The failed health care reform also illustrates the weakness of Leftist collective political actors. Former Senate Majority Leader Tom Daschle and colleagues explained that although a minority of congressmen tried to push for a plan closer to socialized medicine, they never got much support. A single-payer bill sponsored by Representative Jim McDermott and Senator Paul Wellstone had 90 co-sponsors in Congress and the support of many unions and advocacy groups but was never seriously considered. Prior to Clinton’s election in 1992 and after the 1994 congressional elections, there was stiff opposition from President George H.W. Bush and from the Republican Congress. Moreover, prior to and even after Clinton’s election in 1992, conservative Democrats effectively resisted greater government involvement in health care. Particularly important was Texan Lloyd Bentsen, who was chair of the Senate Finance Committee and subsequently Clinton’s Secretary of the Treasury. Also consequential were the many conservative Democrats who favored a private-sector solution. Clinton himself, as governor of Arkansas, had campaigned as a “New Democrat” opposed to “big government” policies, and as president once famously proclaimed, “The era of big government is over.”

The latent coalitions for egalitarianism were outmaneuvered, outmaneuvered, and outspent by the opponents. Two of the most potent actors were the National Federation of Independent Business (NFIB) and the Health Insurance Association of America (HIAA). In noting that opponents outspent supporters by a margin of more than 8 to 1, Daschle and colleagues recall, “Unions and some other liberal groups rewarded the president’s proponents in Congress with substantial support, but their overall lobbying effort was anemic compared to the exertions of the other side.” The latent coalitions for egalitarianism that did exist were not able to mobilize nearly as effectively partly because of divisions amongst themselves. This manifested in public opposition to Clinton’s plan. As the sociologist and former Clinton advisor Paul Starr explained, “The problem was not so much that the opponents had more resources, but that the supporters could not mobilize theirs. While the antagonists had great clarity of purpose, the groups backing reform suffered from multiple and complex fractures and were unable to unite.”

The institutionalized nature of this episode is reflected in the deep ideological opposition to and almost knee-jerk reaction against “socialized medicine.” It says a lot about American ideology that there was so much susceptibility to advertising campaigns deriding Clinton’s plan. It also turned out to be tremendously difficult to reform health care because of the path-dependent politics driven by insurance companies and stakeholders interested in maintaining the current system. The HIAA had gained a great deal from the private health insurance system, and the NFIB had a great deal to lose if employers had to pay more taxes or were required to insure their employees. Finally, the institutionalized nature of this episode is clear, as protests, strikes, and civil disobedience had absolutely no discernible effect.

Ultimately, the Clinton plan lacked the political support necessary to push through substantial reform against the resistance of business and those opposed to welfare generosity. The Clinton plan never even got out of committee or resulted in an actual vote in Congress. As Daschle and colleagues write, “The great health-care debate of the early 1990s expired with barely a whimper.” The continuing lack of a generous welfare state including health care explains much of why the United States has such high poverty.

In sum, institutionalized power relations theory is a strongly political explanation of the levels of poverty in society. These arguments are summarized in figure 1.2, which outlines the relationships between the key concepts. Ideologies and interests manifest in latent coalitions for egalitarianism. These latent coalitions influence Leftist collective political actors and welfare generosity, which itself is partly driven by Leftist politics. Leftist politics and welfare generosity shape poverty. Finally, the levels of poverty...
and welfare generosity feed back into ideologies and interests. Variations in the power of latent coalitions for egalitarianism, the Leftist politics that are the manifestation of these coalitions, and what they are able to enact via the welfare state shape the amount of poverty in society.

The Individualist Perspective

This book’s strongly political argument stands in sharp contrast to prevailing social science explanations of poverty. Instead of devoting much attention to collective politics and states, the study of poverty is driven implicitly and explicitly by individualism. Even though it is more of a taken-for-granted perspective than a theory, individualism might even be said to dominate the scholarship of poverty. Individualism encompasses methodological individualism—the presumption that all causal explanations be specified in terms of individual behavior. Linked to methodological individualism, poverty scholars normally analyze individual-level data. The widespread practice is to compare the characteristics and behaviors of poor individuals against nonpoor individuals. As Mark Rank explains in One Nation, Underprivileged, the social sciences tend to present poverty as an “individual failing” and individual attributes as the cause, resulting in models of individual characteristics predicting individual behavior.

On balance, individualist research has made real contributions by clarifying which types of individuals are more at risk of being poor. For illustration, it is helpful to consider three common individualist explanations for why people are poor. Perhaps the consensus approach in the social sciences, individualism is often used to identify the demographic and labor market characteristics of the poor. Many focus on identifying vulnerable family or job positions. Individuals in single-mother families, individuals that are old, young, or women, and individuals who experience parenthood early in life are more likely to be poor. Individuals who are unemployed or marginally employed are more likely to be poor. In tandem, those with less human capital—education, experience, and skills—are more prone to poverty. Most findings have been established in studies of specific countries with large survey data sets. Probably the best example is the status attainment research tradition in sociology. At least since Peter Blau and Otis Duncan’s classic The American Occupational Structure, sociologists have sought to identify how parents’ socioeconomic status and education predict children’s likelihood of attaining a socioeconomic status removed from poverty. As exemplified by Christopher Jencks and colleagues’ classic Who Gets Ahead?, many have identified the demographic and labor market predictors of who falls behind.

Beyond demographic and labor market traits, individualism manifests in behavioral or cultural accounts of poverty. Those vulnerable family and job positions have been typically viewed as the result of individual choice or behavior. For example, there is an undercurrent of voluntarism in the individualist study of the poor’s single parenthood and unemployment. Adults that fail to get married or to secure education and maintain a stable job have exhibited counterproductive or self-destructive behavior. In that vein, the noted poverty scholar Isabel Sawhill recently offered a “behavioral” theory of poverty stressing the characteristics of poor households and poor individuals. Sawhill emphasizes three behaviors: “Those who graduate from high school, wait until marriage to have children, limit the size of their families, and work full-time will not be poor.” Often, problematic individual behavior is linked to choice. Because much social science presumes that individuals make choices following incentives and constraints, individualist accounts of poverty basically imply that the poor have simply made bad choices. Other times, this problematic behavior is connected to a pathological culture. Much of what readers of the poverty literature know as the “culture of poverty” is simply a theory of how the poor supposedly make so many bad choices and engage in so many problematic behaviors.

Taken to its end point, individualism often arrives at biological explanations. Sooner or later, poverty scholars start to ask why the poor make so many bad choices, and almost inevitably, this leads to a search for the innate limitations of poor people. If the demographic and labor market characteristics of the poor really do reflect bad choices and problematic behaviors, maybe the poor have “hard-wired” traits that constrain their socioeconomic achievement. Maybe the poor do not just succumb to a deviant or pathological culture, but are essentially unable to make better choices and engage in more productive behavior. The most visible manifestation of this radical individualism is, of course, Richard Herrnstein and Charles Murray’s The Bell Curve. Among other arguments, Herrnstein and Murray allege that the poor have lower IQs and less intelligence. As those authors argue, “Among people who are both smart and well-educated;
the risk of poverty approaches zero. In sum: low intelligence means a comparatively high risk of poverty." Of course, many have shown that Herrnstein and Murray's book is based on flawed measures, inappropriate manipulation of the data, and dubious statistical analyses. Nevertheless, poverty scholars should not lose sight of the fact that *The Bell Curve* was one of the best-selling social science books in recent decades. Thus, there is a real individualist tradition that contends that the poor make bad choices and engage in problematic behavior because they are biologically inferior.

The popularity of individualism can be explained by the confluence of ideology and science. Many have shown that Americans are extremely individualistic in their beliefs about poverty, especially compared to other countries. When accounting for poverty, it is normal to talk of how that individual made bad choices, engaged in self-destructive behavior, or had the bad luck of possessing some disadvantageous characteristic (e.g., old age or being born into a single-parent family). Purportedly, individuals may have been born with insufficient natural intelligence or lack a work ethic or long-term mentality. To the extent that the dominant ideologies of the United States influence the way the world thinks about poverty, individualism's prominence can be linked to this distinctively American faith in individualism. As long as the United States subscribes to a deeply individualistic ideology, the focus on individual traits will probably continue to be reinforced in the study of poverty.

Beyond ideology, individualism represents the dominance of methodological individualism in the social sciences. Methodological individualism is anchored in the most prominent social science: economics. For many social scientists, individualism is beyond question—it is an assumed truth about the world. Unlike abstract phenomena like "society," the behavior of individuals is one of the few phenomena that social scientists can actually observe. For others, individualism presents the best, among many imperfect, ways of thinking. With individualism, a scholar can shorten the time between cause and effect, and isolate the immediate mechanisms. Finally, many are justifiably appreciative of the substantial contributions that individualism has made. A lot has been learned from individualist social science of poverty, and one should not dismiss those advances in understanding poverty.

All that said, the social sciences fall into a trap if they have no other explanations beside individualism. In order for the study of poverty to advance, this book contends that we must acknowledge the limitations of and move beyond individualism. When faced with the question of the enormous cross-national and historical variation in poverty displayed by the affluent democracies, individualism is simply inadequate. By extension, social science's inability to answer this crucial question of cross-national and historical variation is partly due to our overreliance on exclusively individualist perspectives on poverty.

The Problems of Individualism

There are at least three major reasons why an individualist perspective turns out to be inadequate for explaining the cross-national and historical variation in poverty in affluent Western democracies. First, not all causes of poverty can be reduced to the micro level. Some causes simply exist, and are best understood and studied, at the macro level. The social sciences of inequality have convincingly demonstrated the reality of the effects of macro-level units like culture, neighborhoods, political parties, and labor unions. Adhering exclusively to a strict individualist explanation forces one to either deny that these macro-level units and their effects exist or attempt to reduce them to individual-level phenomena. Denying the reality of the effects of macro-level units is clearly problematic, because rigorous evidence has demonstrated that culture, neighborhoods, parties, and unions do actually matter. The empirical results in this book provide further support for the reality of such macro effects. These macro effects demonstrate that not all causes of poverty are the characteristics or properties of individuals. In addition, reducing macro-level causes to micro-level mechanisms is not always sufficient. By trying to reduce everything to a micro-level mechanism, social scientists and up neglecting that there are multiple causal processes in many cause-effect relationships. In turn, reductionism often obscures as much as it illuminates. To fully understand the effects of macro-level units, social scientists must appreciate that some causes are best studied as collective in nature.

Trying to reduce all causes to the micro level also results in the methodological problem of cross-level inference. This problem occurs when a social scientist analyzes data at one level of analysis and then attempts to generalize a causal explanation at another level of analysis. Probably reflecting the bias for methodological individualism, the problem of cross-level inference is usually raised to critique ecological inference (commonly called the ecological fallacy). The ecological inference problem occurs when one tries to explain individual-level causal processes based on aggregate, group-level, ecological data analyses. Ironically, social scientists often trigger this same problem in reverse by extrapolating macro-level relationships from individual-level patterns. If seeking to explain macro-level relationships, a social scientist should examine macro-level patterns. Presuming that societal patterns can be explained by their individual parts is what Amos Hawley calls a reductionist fallacy. Hence, I take the classical sociological position that societies, groups, and, in turn, macro-level patterns are more than the sum of their individual parts. Countries, like any group, have emergent properties, and one cannot rely exclusively on the analysis of individuals in order to understand them. As C. Wright Mills famously wrote in his classic *The Sociological Imagination*:

When, in a city of 100,000, only one man is unemployed, that is his personal trouble, and for its relief we properly look to the character of
the man, his skills, and his immediate opportunities. But when in a nation of 50 million employees, 15 million men are unemployed, that is an issue, and we may not hope to find its solution within the range of opportunities open to any one individual. The very structure of opportunities has collapsed. Both the correct statement of the problem and the range of possible solutions require us to consider the economic and political institutions of the society, and not merely the personal situation and character of a scatter of individuals.43

This book applies the same logic to poverty that Mills applied to unemployment. The rule is that the means of analysis should be consistent with the phenomena in question. If we seek to explain why countries differ in terms of poverty, then we should analyze countries. Second, individualistic perspectives end up neglecting two crucial dimensions of social life: relations and context.42 If one can explain poverty simply with demographic and labor market characteristics, choices and behaviors, or biological traits, there is no need to investigate relations among people. However, this book objects to this essentialist concentration on individual attributes. As Gans writes, “Trying to determine how family or neighborhood influence poverty ignores how much both are themselves caught in and responding to the poverty that agents and forces in the larger society impose.”44 People exist in a social world where they are connected to other people and participate in the collective construction of how we experience, navigate, and influence each other. Following Charles Tilly’s influential Durable Inequality, I contend that relations are a more valuable direction for the social science of inequality than are individual traits. As Tilly remarks, “Instead of reducing social behavior to individual decision-making, social scientists urgently need to study the relational constraints within which all individual action takes place.”45

Moreover, the individualist focus on characteristics neglects why a characteristic is linked to poverty in a social context. Almost no individual characteristic has an unbreakable bond with poverty universally across all affluent Western democracies. Even single-mother families are not disproportionately poor in some affluent democracies.46 Moreover, the extent to which a characteristic is associated with poverty varies dramatically across countries. Societies make collective choices about which insecure labor market and family situations will not be protected. If certain characteristics associate with poverty only in some contexts, it tells you at least as much about that context as it does about poverty. If a particular characteristic is associated with poverty, this suggests that in that national context, citizenship has not been defined so as to ameliorate the economic insecurity associated with that characteristic. Whether and how much an individual characteristic is linked to poverty are questions of politics. In order to make progress in understanding cross-national and historical variation in poverty, social scientists must interrogate why and how national contexts shelter only some groups from poverty.

Third, the empirical performance of individualist explanations is unsatisfactory. If one extends the individualist enterprise as discussed above, one is forced to defend some rather dubious arguments. For example, following Hernstein and Murray, would it be reasonable to argue that the United States has more poverty than Sweden simply because we have a greater share of dumb people? Indeed, the inability of biology to explain really big differences between countries or across history was one of the most important critiques of Hernstein and Murray’s controversial book. Even if we can provide persuasive evidence of the individual characteristics associated with poverty, this can contribute little to explaining why some countries have more poverty than others.47 Relatedly, the macro-level elaborations of individualist explanations have also been insufficient. Even if one builds macro-level models from our best individualistic accounts, those macro-level models can be shown to leave too much unexplained. In chapters 6 and 7, I evaluate two macro-level explanations that elaborate and extend leading individualist accounts: liberal economics and structural theory. As I show, these two theories provide an incomplete understanding of poverty in affluent Western democracies. This weak empirical performance may even be the most critical limitation of individualism.

If an analysis of individuals cannot yield an effective model for predicting macro-level patterns of poverty, an individualistic perspective is not sufficient as a scientific theory of poverty. After all, explaining and predicting phenomena are the fundamental purpose of scientific inquiry. Further, if scientific explanations cannot predict macro-level phenomena, they are severely limited for public policy. Policies are implemented and expected to have effects at the macro level, not simply on an individual level.

Given these limitations, the study of poverty needs a theory that contrasts explicitly with individualism. Instead of explaining why the poor are different from the nonpoor, we need a theory that explains why poverty varies cross-nationally and historically. This book proposes institutionalized power relations theory as a step in that direction. As the following chapters demonstrate, welfare state generosity and Leftist politics more effectively explain poverty than prevailing individualist explanations or explanations extended from individualism to the macro level.

Returning to the notion of fundamental causality, we need to invert the prioritization of individualism with narrowing the distance between cause and effect. Instead of trying to assign the proximate characteristic associated with poverty, this book seeks to push the explanation backward toward the fundamental causes of poverty. Rather than isolating the risks of poverty, the aim is to explain the origins of the political context that makes poverty more likely. Rather than asking “who gets ahead?” or who falls behind, this book asks why some societies have so many that fall behind while other societies have so few.48
Empirical Analyses

This book articulates institutionalized power relations theory and compares it against alternative explanations of poverty. Because I argue that a macro-level approach is appropriate when one's question and theory are at the macro level, the data analyses are conducted at the macro level. My analyses are based on cross-national and historical comparisons of 18 affluent Western democracies: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Spain, Sweden, Switzerland, the United Kingdom, and the United States. The period of analysis is from 1969 to 2002, what some might consider an era of postindustrialism.49 All of the data are at the country level, and the sample contains several time points for each of the 18 countries. The unit of analysis is the “country-year,” which is each time point for a particular country. Just like the orienting question of the book, the empirical analyses examine why poverty varies across countries and over time.

It is beyond the bounds of this study to examine less developed countries, and, unfortunately, data are not available for Japan and a few affluent democracies, like New Zealand, Greece, Portugal, and Iceland. Similarly, it is not possible to analyze every year for the 18 countries. Thus, I sample the total number of country-years during this period based on data availability. My analyses typically include 104 country-years or slightly more than five observations per country on average.

Rather than detailing the minute methodological details in the text, most of that information is presented in the appendix. Suffice to say that the analyses utilize random effects models. Although random effects models have some limitations, I explain in the appendix that they are a defensible strategy for theoretical and methodological reasons (albeit among imperfect alternatives).48 It is worth pointing out that although I present several tables, the statistical results are displayed graphically whenever possible. Whenever I do so in the text, however, I present the detailed results in tables in the appendix. Although these chapters build on my previous research, all of the empirical results in this book are new and are a product of new analyses. In my prior articles, I detailed all of my methodological choices and modeling strategies. To make this book more accessible to readers, I refer the specialized reader to those articles for anything not detailed in the appendix.51

Outline of Chapters

Beyond developing institutionalized power relations, this book offers a comprehensive study of poverty in affluent Western democracies. Before proceeding to the analyses, however, it is essential to scrutinize the measurement of poverty. The only defensible approach is to justify the measurement of one's dependent variable conceptually before moving on to test theories of that dependent variable. When social scientists select their measures of poverty based on convenience, the study of poverty is compromised. Worse, when social scientists cherry-pick a poverty measure that biases the results in favor of their favored theory, one cannot trust the conclusions. To correctly understand the causes of poverty, one must first justify one's measure of poverty. Thus, I devote two chapters to the measurement of poverty. The aim is to advocate for the most sophisticated state-of-the-art measures and to more fully incorporate those measures into empirical analyses.

Chapter 2 reviews advances in the conceptualization of poverty. Most of the U.S. social science of poverty relies on the flawed official U.S. measure, which is lacking in both reliability and validity. In chapter 2 I argue that the official measure should be abandoned. Instead, I advocate for a set of theoretical and methodological criteria for poverty measurement. After establishing how to measure poverty, Chapter 3 empirically explores the patterns in poverty with alternative measures. With data from the LIS, I examine what these measures mean for cross-national and historical comparisons. In addition to the entire population, patterns in child, elderly, adult female, and adult male poverty are considered.

Chapter 4 analyzes the welfare state, establishing the first of two parts of the institutionalized power relations theory. I explain the mechanisms by which the welfare state influences poverty and then consider which dimensions of the welfare state might influence poverty, whether there are different effects across different types of welfare states, and whether the welfare state's effects have changed over time. The results demonstrate that the welfare state has a robust and powerful negative influence on poverty. Moreover, this influence is remarkably stable across welfare state regimes and over time.

As the second part of institutionalized power relations theory, chapter 5 examines the impact of Leftist collective political actors. This chapter outlines the contributions and limitations of power resources theory and articulates how institutionalized power relations theory moves beyond that theory. I then test six measures of Leftist politics, and all six are shown to significantly reduce poverty. Their effects are mostly channeled through the welfare state, and only one measure partly combines with the welfare state. Leftist politics fundamentally causes poverty, but the welfare state remains the proximate and direct influence.

Chapters 6 and 7 evaluate the two alternative theories of poverty. Chapter 6 examines liberal economies, the leading explanation in economics, and chapter 7 examines structural theory, the leading explanation in sociology. One can also consider these two theories to be the macro-level extensions of the prevailing individualist approaches to poverty. Chapter 6 demonstrates that liberal economies provides a weak model of poverty. Many of its claims are wholly unsupported, and only economic growth has a robust effect in the expected direction. More importantly, I show that institutionalized
power relations theory is a far more effective explanation. Chapter 7 shows that manufacturing employment, female labor force participation, the elderly population, and children in single-mother families all play a role in explaining poverty. Thus, structural theory is a respectable rival explanation to institutionalized power relations theory. Nevertheless, I argue that an exclusive commitment to structural theory—as tends to exist in U.S. sociology—leads to an incomplete understanding of poverty.

In the concluding chapter 8, institutionalized power relations theory is presented as the most useful explanation of poverty across affluent Western democracies. In the process of reviewing the scholarship of poverty, this chapter advocates for a theoretical reorientation. Even though some view the United States as simply too unique in terms of race and ethnic diversity, chapter 8 also demonstrates that the idiosyncrasies of United States do not undermine institutionalized power relations theory. Finally, I articulate a few policy implications of this study.

Like so many students in the 1990s, my original inspiration for studying poverty came from trying to come to grips with the concentrated inner-city poverty profiled in works like William Julius Wilson’s *The Truly Disadvantaged*. In the wake of the crack epidemic, decaying and hypersegregated neighborhoods, rows of shuttered factories, and the federal government’s wholesale abandonment of a generation of poor children, the puzzles of endemic poverty in such a rich country were inescapable. It was the stark ethnographies that opened my eyes to the depths of America’s social problems, whether it was Mitchell Duneier’s documentation of the working poor, Elijah Anderson’s accounts of Old Heads in blighted West Philadelphia, Sudhir Venkatesh’s tales of the towers of the Robert Taylor Homes projects on the south side of Chicago, or Katherine Newman’s and Kathryn Edin and Laura Lein’s windows into the trials and tribulations of single-mother poor families just trying to make it.

Yet, as I studied poverty, the most enigmatic question became why these social problems are so much more common in the United States. No other affluent democracy has so normalized poverty for so much of its population. Sure, Barcelona has the precarious immigrant enclave of El Raval, and Paris has troubled suburbs where riots break out and youth unemployment is widespread. Yet, it is only in the United States where such deep divides between rich and poor appear to be so intractable and so, for lack of a better word, ordinary. This book seeks to maintain my generation of students’ deep concern for the truly disadvantaged. At the same time, this book seeks to ask what makes poverty so entrenched in some affluent democracies while it is a solvable problem in others.

At the end of every summer, American citizens engage in a rather insincere ritual. Usually in the last week of August, the Census Bureau releases the “official” rates of poverty for the previous year. Poverty might be 12.6% this year, whereas it was only 12.3% last year. Pundits, professors, politicians, the press, and even the president rehearse their annual empty remarks on why poverty is higher or lower than last year, and attribute this failure or success to things that really have nothing to do with poverty’s true causes. We talk about the trends in official poverty in the United States and use these statistics to frame public debate and policies regarding poverty. These official poverty statistics shape how Americans think about poverty and construct and constrain the national discussion. The statistics take on a life of their own and, by doing so, make the entire episode remarkably dishonest.

The dishonesty is not really the fault of the hardworking government statisticians distributing the figures. One such statistician, Mollie Orshansky, constructed the formula for the official measure in 1963. She developed this poverty line purely for research, never intended it for policy, and quickly denounced it once it became the “official” measure. The Census Bureau, aware of its problems, presents alternative estimates, publishes criticisms of it, and does not really resist calls to revise the official measure.

The dishonesty of official poverty statistics is only partially the responsibility of politicians. Though guilty of an unwillingness to revise the official measure, it would be unusual for politicians to intentionally misrepresent poverty statistics. In contrast to how commonly politicians willfully