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THE COMPARATIVE POLITICS OF INEQUALITY AND REDISTRIBUTION IN LIBERAL DEMOCRACIES

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ABSTRACT

Reviewing the debate on why governments have failed to compensate low- and middleincome citizens for rising income inequality, this essay argues for a perspective that integrates demand-side and supply-side considerations and treats income bias in policy responsiveness as variable across countries and over time.

O VER the last two decades, the politics of income inequality and redistribution has emerged as a field of inquiry bridging, on one hand, American and comparative politics and, on the other hand, political economy and political behavior. While Americanists working on this topic commonly consider the United States to be an exceptional case, comparativists have increasingly come to frame their work in terms of a general puzzle: democratically elected governments across liberal democracies have failed to compensate low- and middle-income citizens-the majority of citizens-for a pervasive and dramatic increase of top income shares. Broadly speaking, two alternative solutions to this puzzle have been proposed. One solution posits that low- and middleincome citizens have not responded to rising inequality by demanding more redistribution, either because they do not accurately perceive what has happened to the income distribution or because they consider inequality-at least certain kinds of inequality-as fair. The other solution posits that persistent (possibly increasing) income or class biases in democratic representation explains the lack of compensatory redistribution.

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This essay takes issue with each of these solutions to the-lack-ofredistributive-response puzzle and makes the case for an approach that rejects the idea that we must choose between the median-voter theorem and the proposition that the rich rule. In addition, I suggest that the puzzle itself needs to be qualified. I refer to my own research on these topics, but I do not claim that I have solved the puzzle (or puzzles) before us. Rather, I propose new lines of argumentation and empirical research that the field ought to pursue.

INEQUALITY TRENDS

The stylized story of democratically elected governments failing to compensate low- and middle-income citizens for rising top income shares across the OECD countries needs to be qualified at the outset. Table 1 reports on changes in income inequality from 1995 to 2007 and from 2007 to 2018 in the United States and Northwest Europe. "Northwest Europe" designates an average for ten countries that emerged relatively unscathed from the economic crisis of 2008–09, and income inequality is measured by the Gini coefficient for working-age households as well as the income share of the top 10 percent of all income-earners.¹ Each measure of inequality is calculated based on income before taxes and transfers (market income) and income after taxes and transfers (disposable income).

Measured by the top 10 percent income share as well as the Gini coefficient, disposable income inequality increased in Northwest Europe as well as in the United States in the twelve years preceding the financial crisis of 2007–08 and the ensuing (Great) recession. In the United States, both inequality indicators increased again from 2007 to 2018, but the rise in the top 10 percent income share was smaller than in the earlier period. In Northwest Europe, overall inequality among working-age households increased less in the post-2007 period than in the pre-2007 period, and the top 10 percent income share actually declined by about one percentage point in the second period. In the United States as well as in Northwest Europe, the structure of inequality became less skewed in favor of top income-earners in the aftermath of the financial crisis.²

¹ Gini coefficients have been multiplied by 100 to render the figures more comparable with top income shares and to convey that they represent the percentage of total income that would have to be redistributed to achieve perfect equality. The ten countries making up "Northwest Europe" were selected based on the availability of data for the mid-1990s: needless to say, a lot of variation occurs among them; see Lupu and Pontusson 2024.

² cf. Lupu and Pontusson 2011.

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TABLE 1	Trends in Income Inequality Since the Mid-1990s ^a	Top 10 Percent Income Share	Disposable Income	07–18 change	+1.9	-1.1	Sources: Luxembourg Income Study and the World Inequality Database. See https://www.lisdatacenter.org and https://wid.world. ^{a "} Northwest Europe" is an (unweighted) average for Austria, Belgium, Denmark, France, Germany, the Netherlands, Norway, Sweden, Switzerland, and the UK. (For European countries, the year to which the first estimate of Gini coefficients refers varies between 1992 and 1995.)
				95–07 change	+2.7	+2.8	
				1995 level	34.4	26.0	
			Market Income	07–18 change	+1.7	-1.2	
				95–07 07–18 change change	+4.1	+3.7	
				1995 level	39.9	30.2	
		Gini Coefficient, Working-Age Housebolds	Disposable Income	07–18 change	+2.0	+0.9	
				95–07 07–18 change change	+1.3	+1.7	
				1995 level	34.5	25.6	
			Market Income	07–18 change	+2.2	+0.4	
				95–07 change	+0.6	-0.1	
				1995 level	43.7	40.1	
					USA	Northwest 40.1 Europe	Sources: Luxer ^a "Northwest European count

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Pertaining to the United States as well as Northwest Europe, two other features of Table 1 are noteworthy. First, we observe larger increases in overall inequality among working-age households from 1995 to 2007 when inequality is measured in terms of disposable income rather than market income. Governments not only failed to compensate for rising inequality in this period; tax and welfare-state reforms were major drivers of rising inequality. Second, the deceleration in the growth of top income shares since 2007 seems to have had more to do with labor and financial market conditions than with changes in the redistributive effects of tax-transfer systems. Taken together, these observations suggest that we should stop thinking of markets as inherently inegalitarian and politics as inherently egalitarian. I hasten to add two important provisos: market conditions are, of course, shaped by government policies and observing policy decisions with inegalitarian consequences does not necessarily mean that the rich rule.

Of note, inequality measures of the kind shown in Table 1 entirely miss the territorial (or horizontal) dimension of rising income inequality. Arguably, divergent income trajectories between regions are the big inequality story of the 2010s, at least in Western Europe. This story features prominently in recent work on the rise of right-wing populism,³ but it has yet to be fully integrated into the literature on income inequality and the politics of redistribution. We need a better understanding of why existing tax-transfer systems have failed to offset divergent placebased income trajectories and, relatedly, a better understanding of why grievances related to this kind of inequality tend to be associated with resentment of minorities and political elites, and much less with resentment of economic elites.

Preferences for Redistribution

The comparative literature on preferences for redistribution relies heavily on a survey question that has been asked repeatedly by the European Social Survey (ESS) since 2002 (and also features in some ISSP surveys). The question asks respondents whether they agree with the statement that "the government should take measures to reduce income differences." Responses to this question indicate that (1) support for redistribution consistently declines with respondents' relative income, but (2) even respondents in the top quartile of the income distribution tend to agree

³ See Schraff and Pontusson 2023.

with the statement in most West European countries, and (3) support for redistribution has been fairly stable over the last two to three decades.

As noted above, the apparent stability of preferences for redistribution in the face of rising inequality has led many scholars to question models of demand for redistribution based on rational self-interest, most prominently the model proposed by Allan Meltzer and Scott Richard.⁴ While some scholars point out that citizens commonly misperceive the actual distribution of income and their place in it, others emphasize the role of fairness and various other-regarding considerations in the formation of preferences for redistribution. Importantly, a number of studies in the latter vein show that inequality, measured by objective criteria, shapes other-regarding considerations such as deservingness of the poor or fear of crime.⁵ High-income earners are also more likely than low-income earners to think that existing income differences are fair.⁶

We must keep in mind that the Meltzer-Richard prediction that demand for redistribution at the median increases with inequality supposes that it is measured by the distance between the mean and the median income. The self-interested median voter should demand more redistribution when the rich become relatively richer but not when the poor become relatively poorer. As we have seen, top-end inequality rose more rapidly than overall inequality from 1995 to 2007, but this was not the case from 2007 to 2018. From the point of view of the Meltzer-Richard model, stable middle-income demand for redistribution in the 2010s is less puzzling than stable middle-income demand for redistribution in the 1990s and early 2000s.

To date, the literature on preferences for redistribution has paid surprisingly little attention to absolute income growth as a variable that conditions citizens' responses to changes in income inequality. Relatively robust economic growth provides at least a partial solution to the pre-2007 "demand-side puzzle."⁷

As critics have noted for some time, the standard ESS redistribution question fails to specify the measures that governments should undertake to reduce income differences.⁸ Liberals committed to the promotion of equal opportunity and leftists committed to the redistribution of income might both answer the question in the affirmative. As the question prompts very high levels of agreement, especially among respondents in

⁴ Meltzer and Richard 1981.

⁵ See, e.g., Rueda and Stegmueller 2019.

⁶ Lascombes 2022.

⁷ Poltier, Rosset, and Pontusson 2023.

⁸ See Dallinger 2022.

the lower half of the income distribution, a ceiling-effects problem also arises if we are interested in how policy preferences respond to changes in inequality.

Scholars working in this field have started increasingly to analyze more policy-specific measures of support for redistribution,⁹ but survey questions that can be used for this purpose seldom allow for comparisons over extended periods of time. In an attempt to address this problem, an original survey carried out by my research team at the University of Geneva in 2019 replicated a series of questions about tax progressivity and welfare-state provisions that were asked by the ESS in 2008. As reported by Jan Rosset, Jérémie Poltier, and Jonas Pontusson, support for redistribution based on the standard ESS question hardly changed at all from 2008 to 2019.¹⁰ However, the percentage of respondents who agree with the statement that people with higher incomes should pay a higher share of their income in taxes increased significantly in all but one of the twelve countries included in both surveys (often by more than ten percentage points). We also found large shifts in public opinion in favor of flat-rate or low-wage-targeted unemployment benefits, rather than benefits being proportional to earnings in employment. In most countries, the shift in favor of tax progressivity was broadly consensual while only low- and middle-income earners shifted in favor of egalitarian unemployment compensation.

We cannot tell exactly when these public opinion shifts occurred, but Julian Limberg makes a compelling case that public support for tax progressivity increased in the immediate aftermath of the financial crisis of 2007–08.¹¹ In a similar vein, Lionel Marquis and Rosset show that explanations of poverty changed sharply among European publics in 2008–10—with the share of respondents blaming "society" increasing from 35 percent in 2007 to 50 percent in 2010–14.¹² Rather than assuming that people incrementally update their perceptions of inequality, fairness assessments, and policy preferences, we ought to pay more attention to moments in time when attitudes across these three dimensions shift.

Unequal Responsiveness

More than any other scholarly work, Martin Gilens' study of policy responsiveness in the United States has stimulated research and debate on

⁹ See, e.g., Cavaillé 2023.

¹⁰ Rosset, Poltier, and Pontusson 2023.

¹¹ Limberg 2020

¹² Marquis and Rosset 2021.

income and class biases in democratic representation.¹³ Sorting survey respondents by relative income and estimating the probability of policy change based on survey items soliciting support for specific reform proposals, Gilens found that the preferences of high-income citizens predict policy change, but the preferences of low-income and even middle-income citizens have no influence on policy outcomes when they diverge from the preferences of high-income citizens. Replicating Gilens' approach, recent studies find similar patterns in Germany, the Netherlands, Norway, and Sweden.¹⁴ Indeed, they suggest that the pro-rich bias that Gilens uncovered for the United States is even more pronounced in Germany, the Netherlands, and Sweden. These findings would seem to call into question the standard explanations of unequal responsiveness advanced by students of American politics-that is, a strong income gradient in electoral turnout, private campaign contributions, and corporate lobbying. With the literature taking a comparative turn, the occupational (class) background of elected politicians has emerged as a prominent explanation of unequal policy responsiveness. While MPS in other OECD countries are not nearly as rich as members of the US Congress, they are overwhelmingly university-educated and typically from upper-middle-class backgrounds.¹⁵

An obvious (and commonly noted) limitation of Gilens-inspired studies is that they pool a wide range of survey items with varying salience for different income groups. Maybe poor- and low-income citizens are not heard on many issues that are not terribly important to them but get their way on a few critical issues? Relatedly, the results of applying the Gilens' approach to European cases are truly puzzling from the perspective of the comparative literature on redistribution. If the pro-rich bias of policy responsiveness is indeed as big in Sweden as it is in the United States, how could it possibly be that the Swedish tax-transfer system is so much more redistributive that the American system?

Mads Andreas Elkjær and Torben Iversen address this puzzle by arguing that affluent citizens and political elites both become more favorable toward government spending during economic downturns while this is not the case for low- and middle-income citizens, who lack the information (or sophistication) necessary to be "New Keynesians."¹⁶ Over the long run, however, policy decisions reflect the interests of the

¹³ Gilens 2012.

¹⁴ These studies are summarized in Mathisen et al. 2024. See Elkjær and Klitgaard 2021 for a very useful review of the unequal responsiveness literature, and Persson and Sundell 2024 for a recent study based on survey data from thirty countries.

¹⁵ cf. Carnes and Lupu 2024.

¹⁶ Elkjær and Iversen 2020.

middle class.¹⁷ In a related vein, Max Joosten argues that affluent cit-izens are more knowledgeable about politics, anticipate policy decisions that are about to be taken, and adjust their policy preferences to conform with those decisions.¹⁸ In Joosten's formulation, the Gilens approach tells us more about unequal adaptation by citizens than about unequal responsiveness by policymakers.

An alternative solution to the aforementioned puzzle is to argue that tax-transfer systems were established in an era when Swedish policymaking was more equally responsive than American policy-making and that Sweden has become more like the United States in this regard in recent years. Pooling data for Germany, the Netherlands, Norway, and Sweden from the 1970s to the 2010s, Ruben Berge Mathisen and colleagues present tentative evidence in support of this line of argument.¹⁹ Proceeding in the manner of Gilens, this study distinguishes between social/economic policy changes with distributive implications and other policy changes, between left- and right-leaning governments, and between the period before 1998 and the period after 1998. The upshot is that policy has always been biased in favor of affluent citizens on other issues and that this holds for left as well as right governments. In the domain of redistributive issues, however, left governments were equally responsive to the poor and the affluent in the pre-1998 period, but left and right governments alike were more responsive to affluent citizens, relative to middle-income as well as poor citizens, in the post-1998 period. To the extent that the political influence of lowand middle-income citizens has declined, this development arguably has to do with the strategic reorientation of mainstream left parties and attendant changes in the sociological composition of their activists and candidates for public office.

I do not dismiss the idea that voters adjust their preference in response to rhetoric and proposals presented by political parties and government officials, but I find it hard to reconcile evidence presented by Mathisen and coauthors with the reverse-causality interpretation.²⁰ Why should the affluent (well-educated) anticipate policy changes under some governments but not under others and in some policy domains but not

¹⁷ By this reasoning, the orthodox turn in macroeconomic policy in the 1990s and the austerity consensus of the early 2010s should apparently be seen, subjectively, as political victories for low-income citizens over affluent citizens. This interpretation seems hard to reconcile with widespread populist discontent among low-income citizens. Note also that Elkjær and Iversen's argumentation fails to account for unequal responsiveness in policy matters that do not involve government spending; Elkjær and Iversen 2020.

¹⁸ Joosten 2023.

¹⁹ Mathisen et al. 2024. ²⁰ Mathisen et al. 2024.

in others? That said, good reasons exist to suppose that citizens across the income distribution retroactively adapt their policy preferences to the status quo: affluent Swedes may be just as privileged in terms of political influence as affluent Americans are today, but they are surely less opposed to redistribution than affluent Americans.

In closing, I believe that the policy responsiveness literature ought to pay more attention to the effects of changes in policy preferences. This brings me back to the aforementioned study of public opinion shifts in favor of tax progressivity and egalitarian unemployment benefits in Western Europe from 2008 to 2019. Did government policy follow public opinion? As documented by Rosset, Poltier, and Pontusson, top income tax rates and the redistributive effects of income taxation increased in nine out of twelve cases over the period covered by the two surveys.²¹ By contrast, we only observe progressive policy shifts with respect to unemployment compensation in two or three cases. That affluent citizens moved with low- and middle-income citizens in favor of tax progressivity could explain the contrast between outcomes in the two policy domains, but middle-income opinion shifts turn out to be more closely correlated with policy shifts than do high-income opinion shifts in both policy domains. Shifts in middle-income opinion in favor of egalitarian unemployment compensation are associated with less retrenchment of unemployment compensation for low-wage workers.

The contrast between tax policy and unemployment policy arguably reflects that increasing taxes on high-income earners was more consistent with the austerity consensus of the 2010s than increasing unemployment compensation for low-income earners. The austerity consensus might in turn be attributed to the advice of economic experts, pressures generated by financial markets, and lobbying by export-oriented firms. For present purposes, the point I make is a simple one: Public opinion matters, but we should think of it as a constraint on policy changes and not as the driver of policy changes.²² Conceived of as a constraint on policy choice, the opinions of middle-income citizens probably matter as much as the opinions of affluent citizens.

Final Thoughts

Politicians typically come from upper-middle-class backgrounds. Their values and preferences resemble those of affluent citizens. In addition, affluent citizens are more able to make their views heard in the political

²¹ Rosset, Poltier, and Pontusson 2023.

²² cf. Baccaro and Pontusson 2022.

arena than are low-income citizens. These are fundamentally sociological phenomena. They do have policy implications, but we observe important differences in policy outputs, notably in policy outputs that bear on the distribution of income, across countries (and times) in which these phenomena are present to more or less the same degree.²³

Most contributors to the recent literature on the political influence of different income groups would seem to agree that low-income citizens are less well represented than are middle- and high-income citizens. In addition, we can all agree, I think, that the policy preferences of lowand middle-income citizens will typically prevail when (a) they coincide with the preferences of high-income citizens and (b) they are consistent with the imperatives of macroeconomic management as understood by political elites. Going beyond these observations, the experience of the New Deal in the United States and similar postwar settlements in Western Europe suggest that low- and middle-income citizens can prevail over affluent citizens under conditions characterized by a permissive macroeconomic policy consensus and by the presence of political parties with a principled commitment to redistribution. By the same token, I submit that the rules of liberal democracy alone do not ensure that the preferences of low- and middle-income citizens will prevail when they diverge from the preferences of affluent citizens and economic elites.

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²³ Strikingly, class gaps in individual perceptions of having political voice were just as pronounced in the early 1970s as they are today; see Rennwald and Pontusson 2022.

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Key Words

inequality, redistribution, public opinion, policy responsiveness, United States, Europe