

## I

## Introduction

This is a book about the demand for redistribution of income through taxes and transfers. It is also a book about how our main intuition about what affects individual preferences for redistribution (whether a person is rich or poor) needs to be complemented with the consideration of other factors. Income will take us some ways into understanding whether a person supports redistribution and whether that support affects her political behavior (we will show later that the poor do support redistribution more than the rich and that their votes follow their preferences). But a fuller explanation of the demand for redistribution will require developing three complementary arguments: one considering the effects of expected future income, a second one about the negative externalities associated to inequality, and a final one emphasizing the consequences of population heterogeneity in a society. We dedicate the rest of the book to work through these propositions, but we begin by offering three illustrations of how we think these factors influence the political outcomes we are interested in exploring.

### *The Power of Expected Income*

Whether because of Brexit in the United Kingdom, the election of Donald Trump in the United States or the increased (but eventually short-lived) popularity of Marine Le Pen in France's most recent presidential election, the resurgence of populism has been a frequent topic in the mainstream media since the summer of 2016. When looking for common threads uniting the success of populist alternatives in such diverse circumstances, it is difficult not to notice an underlying theme about future expectations.

On April 21, 2017, the *Financial Times* asked its readers why Marine Le Pen was the choice of “unhappy France.”<sup>1</sup> The article reported research by SciencesPo and Cepremap exploring support for different candidates in the impending first round of the 2017 French presidential election (which was held on April 23). When asked about their expectations for the future, the FT article declared, the individuals who were most pessimistic were those most likely to vote for Le Pen (the candidate for the National Front) or Jean-Luc Mélenchon (the far-left candidate). Respondents most satisfied with their future prospects, were more likely to vote for Emmanuel Macron (the eventual president, elected after a run-off second-round election held on May 7). The article noted that “a sense of deteriorating wellbeing is one of the main explanations for rising support for the FN in Sunday’s first round of the French presidential election, cutting across most boundaries of age, education or economic status and sapping support for mainstream parties.”

A similar set of conclusions can be reached when looking at the relationship between economic prospects and the likelihood to vote for Trump or for Alternative for Germany (AfD). In a survey conducted in August of 2016, the Pew Research Center found clear differences between the supporters of the two main presidential candidates. As reported by *The Washington Post*, when asked whether the next generation could expect life in the United States to be better or worse, “a plurality of supporters of Hillary Clinton said better” while “a majority – two-thirds – of Donald Trump supporters said worse.”<sup>2</sup> On September 20, 2017, days before the election that saw Alternative for Germany celebrate a historic third place with 13 percent of the vote, the *Financial Times* reported research by the German Institute for Economic Research (DIW) and the Hans Böckler Foundation. It showed that AfD supporters were more likely to be “dissatisfied with, and concerned about, their financial future, and to worry about downward social mobility” (Stabe and Maier-Borst, 2017).

Clearly, many factors affect the recent rise of populism in some industrialized democracies, and it would be injudicious to believe that only material self-interested future income matters to the events outlined earlier. Nevertheless, these stylized facts do point to the importance of an often-underemphasized set of economic considerations involving expectations

<sup>1</sup> See <https://tinyurl.com/waxz3dk>.

<sup>2</sup> See <http://tinyurl.com/y8aynnmo>.

about the future (to complement generally accepted arguments about the effects of present economic circumstances).

### *The Negative Externalities of Inequality*

In his *The Condition of the Working Class in England*, written from 1844 to 1845, Friedrich Engels presents an intuitive argument about the relationship between inequality and crime when he observes of the poor working man:

He is poor, life offers him no charm, almost every enjoyment is denied him, the penalties of the law have no further terrors for him; why should he restrain his desires, why leave to the rich the enjoyment of his birthright, why not seize a part of it for himself? What inducement has the proletarian not to steal? It is all very pretty and very agreeable to the ear of the bourgeois to hear the “sacredness of property” asserted; but for him who has none, the sacredness of property dies out of itself. (Engels, 1993)

But we don’t need a Marxist analysis, or one going back to the 1840s, for evidence about the negative externalities of inequality. Research led by the University of York and funded by the Economic and Social Research Council illustrates the connection between levels of inequality and its crime-related negative externalities in the United Kingdom. The research is based on semistructured interviews with policy-makers, focus groups with frontline welfare practitioners, and repeated qualitative longitudinal interviews with a diverse sample of 480 welfare recipients.<sup>3</sup> The five-year study will not conclude until 2018, but its preliminary findings, as reported by *The Guardian*, show that increases in inequality (promoted by benefit sanctions) “are leaving people almost destitute, with some individuals being pushed toward ‘survival crime’ in order to eat.”<sup>4</sup>

Do rich people understand this relationship? The affluent’s concern about crime is easy to illustrate. A large number of newspaper stories could be mentioned, but a 2005 story in *The Independent* is worth quoting. “On London’s streets neighbours cower behind barred and bolted doors – watched over by CCTV cameras – while former soldiers pound the pavements with guard dogs, ready to respond within minutes of a panic button being pushed,” the journalist writes. “This is not an inner-city sink estate, however, nor a futuristic vision of a lawless city,” the story continues “but wealthy enclaves such as Kensington and Chelsea,

<sup>3</sup> For more information, see <http://tinyurl.com/ybzqrjrn>.

<sup>4</sup> See <http://tinyurl.com/yctmms3r>.

Belgravia and St John's Wood, where the well-heeled are willing to part with £1,000 a year for private security patrols, such is their fear of crime."<sup>5</sup>

The radical Jacksonians of the early American labor movement in the nineteenth century argued against building prisons because redistribution and public education would make crime unnecessary and the punishment of criminals superfluous (Greenberg, 2010: 1). The rich in more recent times, although not as radical, also see social policy as mitigating the influence of poverty on crime. In the rest of the book, we will show that, in the right circumstances, the affluent perceive crime as a negative externality of inequality and, more importantly, support redistribution as a solution to it.

### *Population Heterogeneity and Support for Redistribution*

On April 28, 2010, after the last of the prime ministerial debates in the United Kingdom, there was hope in the Labour Party. A resurgent Conservative Party and, more importantly, the increased popularity of the Liberal Democrats were certainly significant concerns. But Labour had won the previous three general elections, and Gordon Brown (Chancellor of the Exchequer under Tony Blair and Prime Minister after his resignation) had shown a mastery of economic issues (despite being in the middle of the Great Recession) not matched by his opponents. This was all to change, however, in an unscripted interaction with a pensioner in Rochdale.

According to *The Telegraph*, Gillian Duffy, a sixty-five-year-old pensioner and former council worker, "had been talking to reporters at the back of a crowd observing Mr Brown's visit to a community pay back scheme, where offenders were picking up litter, when Sue Nye, his long-term aide and 'gatekeeper' summoned her over to discuss her concerns with the Prime Minister." Mrs. Duffy expressed strong views about immigrants receiving welfare, and Mr. Brown responded with some general statements about the benefits of immigration.

That could have been the end of this episode. Again according to *The Telegraph*, after the conversation with the Prime Minister, "Mrs Duffy had said that she had been happy with Mr Brown's responses and would be voting for him. She said their conversation had been 'very good,' adding: 'seems a nice man.'" Gordon Brown, however, had got into his car and, unaware that he still had his microphone on, could be heard telling an

<sup>5</sup> See <http://tinyurl.com/y7a7p4fb>.

aide: “That was a disaster. Should never have put me with that woman. Whose idea was that?” The aide asked what Mrs. Duffy had said, and Mr. Brown replied: “Everything. She’s just a sort of bigoted woman who says she used to be Labour. I mean it’s just ridiculous.”<sup>6</sup>

As well-known political commentator Andrew Rawnsley wrote for *The Observer* on Sunday May 2, 2010: “In the wake of his self-inflicted humiliation on a Rochdale housing estate, this prime minister looks like a boxer who has been hit once too often.” The importance of Brown’s Rochdale moment is difficult to quantify, but even five years later, as the United Kingdom got ready for another general election, Gillian Duffy was referred to as “the pensioner who helped torpedo Gordon Brown’s re-election chances” (*The Observer*, Sunday February 22, 2015). The 2015 election of a new Labour leader after another electoral defeat prompted the following assessment in the editorial response in *The Observer*: “Nothing better crystallises Labour’s problem with this [i.e., immigration] than Gordon Brown’s comments about Gillian Duffy in 2010. Labour has never shaken off its image as a party of the London liberal elite that simply doesn’t get the stresses and strains – economic, but also cultural – that have come with globalisation, the changing structure of our labour market and immigration” (July 19, 2015).

Gordon Brown’s electoral defeat in 2010, and his inevitable resignation as the leader of the Labour Party, did in fact promote a new perspective on immigration and the welfare state. Inspired by the work of Maurice Glasman, Ed Miliband’s new leadership turned the party toward “Blue Labour.” Lord Glasman was part of what was described then as Ed Miliband’s “long-term strategy group”<sup>7</sup> and advocated deemphasizing the focus on the traditional welfare state while adopting more restrictive positions regarding immigration. While the particularities of Brown’s Rochdale moment and Blue Labour are perhaps specific to the United Kingdom, they represent a general set of concerns affecting politics (and particularly the strategies of Left parties) everywhere. More importantly, the episode summarized earlier illustrates the political relevance of one of this book’s central themes: the importance of redistribution to politics, and the relationship between immigration (and ethnic diversity) and the demand for redistribution.

<sup>6</sup> The transcript of the conversation between Brown and Duffy and the subsequent conversation between Brown and the aide in the car can be found here: <http://tinyurl.com/ybfgdxrd>.

<sup>7</sup> See, for example, the *New Statesman* of July 20, 2011.

### I.1 WHY REDISTRIBUTION PREFERENCES?

Distributional issues have been at the core of political science for a long time. Yet over the last two decades the study of the political origins and consequences of inequality has taken center stage. This resurgence is shedding new light on many themes central to the discipline. Deeply connected to topics such as the origins of democracy, political behavior, partisan alignments or political representation, inequality is attracting the attention of economists, sociologists, political scientists, and economic historians alike.

Many politicians, the popular media, and most casual observers of politics would agree that an individual's relative income (i.e., whether she is rich or poor) affects her political behavior. This book addresses one of the assumptions underlying most arguments about the importance of economic circumstances to political outcomes. If income matters to individual political behavior, it seems reasonable to assume that it does so through its influence on redistribution and social policy preferences. These redistribution preferences may (or may not) then be reflected on party positions and, eventually, government policy. To begin at the beginning, the determinants of redistribution preferences is a topic in need of closer study.

The importance of income as a determinant of redistribution preferences is highly variable. While it is the case that the rich support redistribution less than the poor almost everywhere in industrialized democracies, the strength of this relationship is hardly consistent (very significant in the United States, for example, quite weak in Portugal).<sup>8</sup> We dedicate most of this book to develop four main points. First, we propose that one of the reasons for the inconsistent effects in the literature has to do with a general lack of attention to the nature of material self-interest. The idea that material self-interest determines redistribution preferences should not be limited to a measure of present income, but should also include expectations of future income. Second, we contend that there exists a fundamental asymmetry in preferences between rich and poor. The preferences of the rich are highly dependent on the macrolevel of inequality, while those of the poor are not. The reason for this effect is not related to immediate tax and transfer considerations but to a negative externality of inequality: crime. We show that the rich in more unequal regions are more supportive of redistribution than the rich in more equal regions because of their concern with crime. Third, we argue that altruism is an important

<sup>8</sup> See Dion (2010), Dion and Birchfield (2010), and Beramendi and Rehm (2016).

omitted variable in much of the political economy literature and that it significantly influences redistribution preferences. Other-regarding concerns, moreover, are subject to the same fundamental asymmetry as affects the negative externalities of inequality. They matter most to those in less material need, and they are conditional on the identity of the poor. We show that while the poor are, once again, uniformly in favor of redistribution, the support of the rich is much higher when population homogeneity is high. And fourth, we finally ask why we should care about redistribution preferences in the first place. In this section of the book, we focus on perhaps the most momentous potential consequence of redistribution preferences: voting. We argue that redistribution preferences are indeed a most significant determinant of voting. The poor, those who expect to be poor, those who are concerned about the negative externalities of inequality, and those whose altruism is affected by population homogeneity are more supportive of redistribution, and, we contend, these redistribution preferences make them significantly more likely to vote for redistributive parties.

We spend most of the following pages exploring these four different but connected issues. But why is it so important to get this question about the determinants of redistribution preferences right? In a practical sense, as suggested by the events sketched in the previous section, the importance of redistributive preferences to politics is obvious. It would not be difficult to find other examples of how the demand for redistribution influences: how people vote, what politicians talk about, what governments do, etc. For the analysis of comparative politics (and political science in general), we would like to argue, the reasons are equally clear. The (often implicit) model behind much of comparative politics and political economy starts with redistribution preferences as given. After all, in Dahl's seminal work, the key characteristic of democracy is "the continuing responsiveness of the government to the preferences of its citizens" (1973: 1). Taking Anderson and Beramendi (2008a: 12) as inspiration, one can think about this model as being represented by Figure 1.1.

In this figure, the starting point is a set of redistribution preferences that affect how individuals behave politically. Their political behavior (whether it is voting or other less conventional forms of political participation) then affects, and is in turn affected by, the actions of political parties (and other political agents). Political parties then affect (and, again, are themselves affected) by the nature of institutions. The literature on comparative politics and political economy often focuses on political (the electoral and party systems, the relationship between legislatures and executives, the nature of government, etc.) or economic

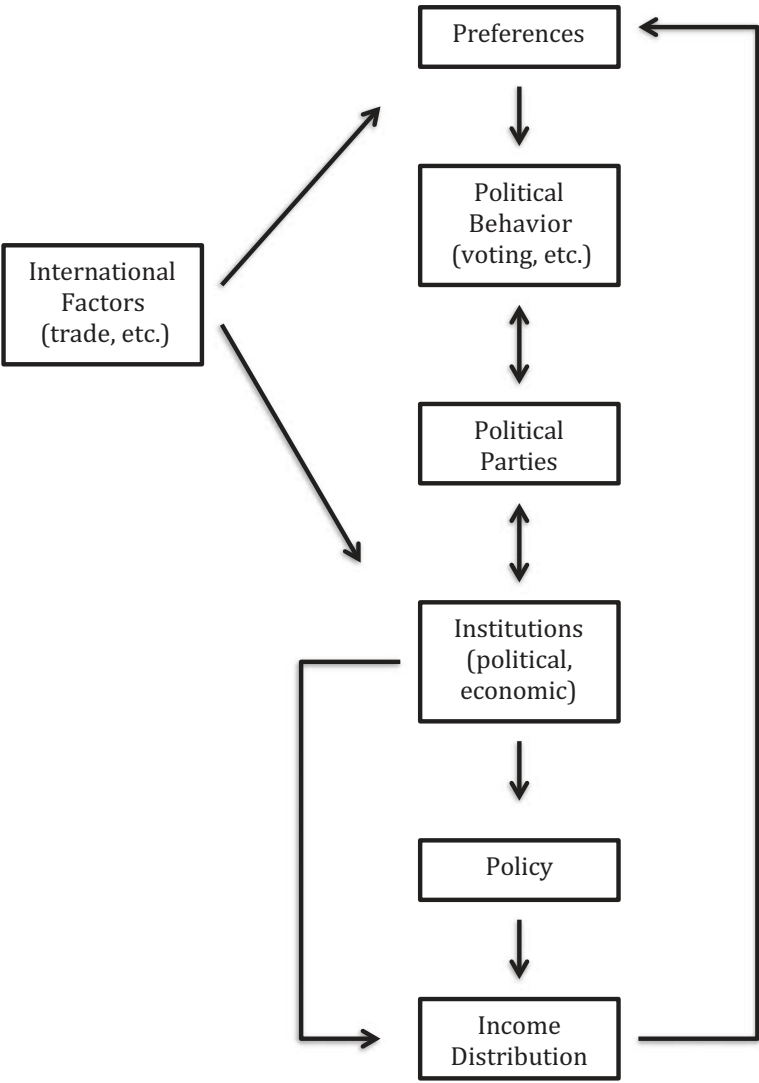


FIGURE 1.1 Redistribution and politics in industrialized democracies

(the nature of labor markets, welfare state regimes, etc.) institutions. These institutional arrangements are often understood to constrain political agents in their ability to design and implement policy, which then will affect the income distribution within a society and also (going back to the beginning of this causal chain) the redistribution preferences



of individuals. At different points in the causal chain, finally, a number of international factors can intervene: globalization (or immigration) may affect redistribution preferences, trade openness may affect the nature of labor market institutions, or European integration may limit the autonomy of partisan economic policy.

It is clear that different approaches to the analysis of comparative politics and political economy choose to emphasize different elements in the conceptual causal chain illustrated in Figure 1.1. We would argue, however, that much of this literature depends on this implicit model. This is clearly the case with arguments related to the fourth argument in this book. We have in mind work about, to use the words of Lipset, the “social bases of politics” (1983) and more specifically contributions proposing that pocketbook issues (Downs, 1957; Key, 1966; Fiorina, 1981) and class (Lipset, 1983; Brooks and Manza, 1997; Evans, 1999), both strongly related to income, influence vote choice. The main insight of the economic voting literature is that individuals will vote following a comparison of what they gain or lose from the policies proposed by each party. Whether economic voting takes the form of *sanctioning* (Key, 1966; Kramer, 1971; Fiorina, 1981) or *selection* (Downs, 1957; Stigler, 1973; Meltzer and Richard, 1981), these approaches can easily be integrated into the structure presented in Figure 1.1 and are therefore essential to the arguments we present in the rest of the book.

A similar argument could be made about the influential work on the welfare state in the comparative political economy literature. Redistribution preferences are the implicit but essential building block for both the “power resources” approach that emphasized the role played by Left governments and working-class mobilization (Stephens, 1979; Korpi, 1983) and for the class-coalition approaches that focus either on the influence of a political alliance between the working class and agrarian interests for the emergence of social democratic welfare states (Esping-Andersen, 1990) or on the importance of social insurance and risk (Baldwin, 1990; Mares, 2003). It is also the point of departure for the “logic of industrialism” approach arguing that economic development and its demographic, social, and economic consequences explains variation in the nature of the welfare state (Cutright, 1965; Wilensky, 1975).

The relationships outlined in Figure 1.1, moreover, underpin the most influential comparative conceptions of the relationship between government partisanship and policy. The nature of the demand for redistribution influences what we could call the “traditional partisanship school.” Its authors – Alt (1985) and Hibbs (1977) being the most cited examples –

believe that Left governments will promote the interests of labor (and be more likely to promote policies against unemployment), while conservative ones will satisfy the demands of upscale groups (and be more likely to promote policies curbing inflation). More generally, an extensive comparative literature explores how the partisan nature of government affects redistributive policies, whether these take the form of compensation against unemployment/inflation, against inequality (see Rueda and Pontusson, 2000; Pontusson et al., 2002), or in favor of labor market insiders (as in Rueda, 2005, 2006, 2007).

In this vein, a significant literature relevant to the relationships described in Figure 1.1 argues that social policy's most significant role is as compensation in favor of losers from globalization and international trade. As a long line of work suggests, this compensatory approach to market risks plays a prominent role in work on the development of the welfare state in Northern Europe. Whether the welfare state is seen as an efficient compromise in the face of open markets (Cameron, 1978; Katzenstein, 1985; Garrett, 1998; Rodrik, 1998; Adsera and Boix, 2002) or a reflection of varieties of capitalism (Hall and Soskice, 2001; Iversen, 2005; Iversen and Soskice, 2010), social policy compensation, we are told, provides the linchpin between welfare state politics and globalization.

Finally, the importance of redistribution preferences as part of the causal chain depicted in Figure 1.1 is essential to an influential literature exploring the relationship between inequality and democracy. The significance to democracy of the distribution of wealth has been the focus of political science for centuries (from Aristotle's *Politics* to Alexis de Tocqueville's *Democracy in America*). More recently, it is the starting point for a number of prominent contributions to comparative politics. Whether democracy prevails when either economic equality or capital mobility are high in a given country (Boix, 2003), high inequality and land-based wealth make democracy threatening to elites (Acemoglu and Robinson, 2005), or when rising but politically disenfranchised groups demand more influence (Ansell and Samuels, 2014), the distributional consequences of different political regimes are closely related to issues emphasized in Figure 1.1 (and, more specifically, the Meltzer and Richard framework we adopt as our baseline in this book).

## 1.2 WHO WANTS WHAT?

In the much quoted words of Harold Lasswell (1950), politics is all about who gets what, when, and how. And, as shown in the previous section,