Chapter 10

Inequality as a Source of Political Polarization: A Comparative Analysis of Twelve OECD Countries

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This chapter focuses on the effects of income inequality on party politics in industrialized democracies. Having devoted a great deal of attention to the political determinants of income distribution in the 1990s, students of comparative political economy have recently begun to address how the distribution of income affects politics and, in particular, government policy (see, for example, Bradley et al. 2003; Kenworthy and Pontusson 2005; Mahler 2006; Moene and Wallerstein 2001, 2003). To date, virtually all the comparative literature on this topic takes the Meltzer-Richard model as its point of departure and investigates the association between inequality and various measures of redistributive government spending (Meltzer and Richard 1981). A common conclusion in the literature is that the core proposition of the Meltzer-Richard model—that inequality generates more redistributive government—provides precious little leverage, if any at all, on the problem of explaining why some countries have more redistributive welfare states than others.

Theoretically, we seek to break new ground by elaborating a partisan model of the political effects of inequality that abandons the Meltzer-Richard premise that the preferences of the median voter determine party policy. In our analytical framework, parties of the left and the right draw their core constituencies from different segments of the income distribution, and inequality affects the policy preferences of these constituencies differently. In its simplest version, our model predicts that core left voters want more redistribution and core right voters want less redistribution as inequality rises. This main argument, however, is

greatly affected by two significant factors: the kind of inequality in question and the degree of mobilization among low-income workers.

Our empirical analysis seeks to explain party positions in electoral campaigns, as measured by the Comparative Manifesto Project (CMP), rather than policy outputs. To some significant extent, using election manifestos to measure party positions allows us to bracket the economic and bureaucratic constraints that parties inevitably face in government and thus to focus more directly on party responses to (changes in) voter preferences. In contrast to Meltzer and Richard, we do not assume that voting alone determines government policy.

The motivation behind this chapter partly derives from Nolan McCarty, Keith Poole, and Howard Rosenthal's (2006) analysis of the recent polarization of American politics. These authors document that partisanship in congressional roll-call voting declined in the 1950s, held steady through most of the 1960s and 1970s, and then increased sharply from the late 1970s onwards. They demonstrate that this pattern parallels trends in income distribution in a very striking manner (and also that income has become a better predictor of individual party choice as inequality has increased over the last three decades).

Polarization can take several different forms. If left parties move to the left and right parties move to the right, we observe what we here refer to as "symmetric polarization." If right parties move to the right while left parties stay put, or if both parties move to the right but right parties move farther to the right than left parties, we observe "right-skewed polarization." Conversely, "left-skewed polarization" represents a third potential scenario. To distinguish among these alternative scenarios we estimate the effects of inequality on left-right positions adopted by the main parties of the left and the right in each of the twelve countries included in our analysis.[1]

Theoretically and empirically, we distinguish between the partisan effects of wage inequality and those of other forms of income inequality. The core constituencies of left and right parties are distinguished from each other not only by where they fall in the overall income distribution but also by the sources of their income. We argue that left parties are particularly responsive to wage inequality because their core constituencies consist of voters who derive the lion's share of their income from dependent employment. As wages account for a considerably smaller share of total income among the core constituencies of right parties, these parties should be more responsive to other manifestations of inequality. We argue further that political mobilization of low-income groups, measured by aggregate voter turnout and union density, conditions partisan responses to inequality.

To anticipate, the results reported here indicate that wage inequality is

associated with more leftist left parties at medium and high levels of low-income mobilization, while there is no significant association between wage inequality and the policy positions held by right parties. By contrast, household disposable income inequality is associated with more rightist right parties at low and medium levels of low-income mobilization, while there is no significant association between household income inequality and the policy positions held by left parties.

It should be noted at the outset that our regression analysis controls for the center of political gravity. It is commonplace to observe that the entire political spectrum is farther to the left or, alternatively, that redistributive policies are more generally accepted in some countries (say, Sweden) than in others (say, the United States). It is also commonplace to observe that politics in most industrialized countries shifted to the right and that redistributive policies became more contested in the 1980s and 1990s. For reasons that we elaborate later, we do not believe that these broad cross-national differences and trends can be explained in terms of contemporary income distribution patterns. To discern the common and significant political effects of inequality, we must control for the center of political gravity in different countries and different years.

The next section articulates our theoretical framework. We then discuss the data set we have constructed to test our hypotheses and specify how the variables employed in our regression analysis are measured. The next section presents and discusses the results, and the following section explores patterns in the data that pertain to changes in inequality and partisan politics in specific countries over the 1980s and 1990s. We conclude with some thoughts about the implications of our analysis and directions for future research.

The Theoretical Framework

We begin by recapitulating the core elements of the well-known Meltzer-Richard model and then transform it to integrate some partisan considerations. We then introduce the idea that different forms of inequality have different implications for parties of the left and right, and we develop the argument that the political mobilization of low-income voters, as measured by voter turnout and unionization, conditions partisan responses to inequality. Finally, we restrict the scope of our model of redistributive politics by arguing that preferences for redistribution shape the spread of party positions around a median position that is determined by a complex combination of historical factors and cannot be derived from contemporary preferences for redistribution.

Meltzer-Richard with Core Constituencies

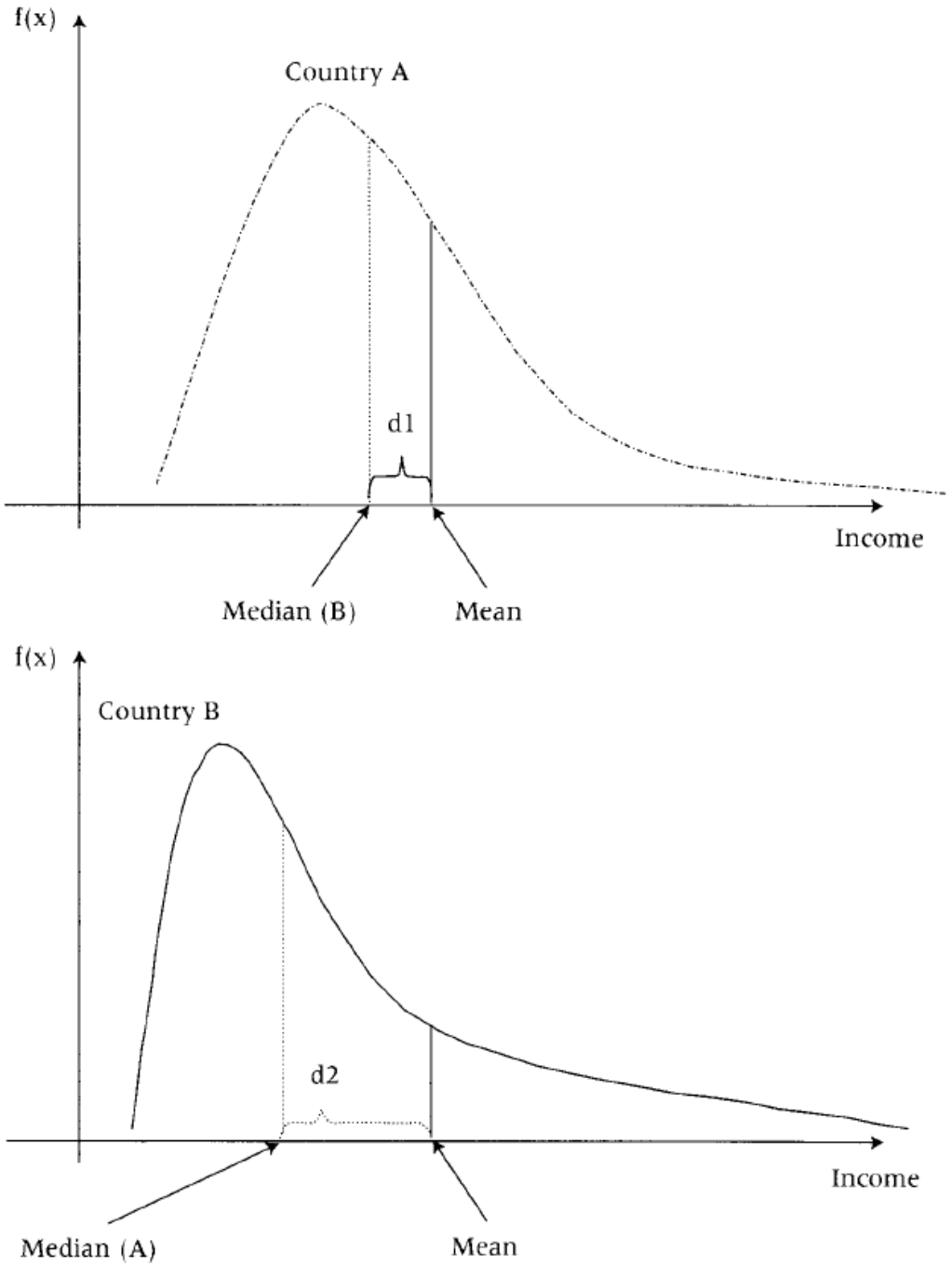
The Meltzer-Richard model is inspired by Downsian median voter theory. Like other median voter models, it assumes that parties are motivated by winning elections and have no enduring commitments to particular policies. In a two-party system, winning elections requires the support of the median voter, and as a result, parties converge on her preferences in their actual behavior in government as well as their election promises. In multiparty systems, the influence of the median voter on government policy is mediated by interparty bargaining, but the party that represents her can be expected to determine the composition and policies of coalition governments (Powell 2000).

The contribution of the Meltzer-Richard model is its focus on redistribution and the way it conceives of the median voter's preferences. The model assumes that government redistribution takes the form of a flat-rate (lump-sum) benefit received by all citizens and financed by a proportional (linear) income tax (see Romer 1975). At 100 percent taxation, all citizens are brought to the mean income. Citizens with market incomes below the mean income would favor 100 percent taxation if it were not for the fact that taxation entails a disincentive effect that reduces the mean income. As a result of this disincentive effect, there is a middle group of income earners for whom the deadweight costs of taxation exceed the value of the benefits provided by the government, even though their market income is below the mean income. Holding the deadweight costs of taxation constant, the amount of redistribution preferred by the median voter in the Meltzer-Richard framework becomes a function of the distance between her market income and the average income.

Because a few individuals have very large incomes, the distribution of income in capitalist societies is invariably skewed such that the average is higher than the median, but the degree of skew, and therefore the distance between the median and the mean, varies. Figure 10.1 illustrates this point with reference to two hypothetical countries with the same mean income. Country B has a more inegalitarian income distribution than country A, and as a result, the distance between the mean and the median incomes is greater ($d2 > d1$). By the logic of the Meltzer-Richard model, we would expect the median income earner to want more redistribution in country B than in country A, and this preference should translate into government policy.

Our own theoretical framework shares some of the core assumptions (and limitations) of the Meltzer-Richard model. In particular, we incorporate the idea that voters' preferences for redistribution are determined,

Figure 10.1 Illustration of the Metzer-Richard Model



Source: Authors' compilation.

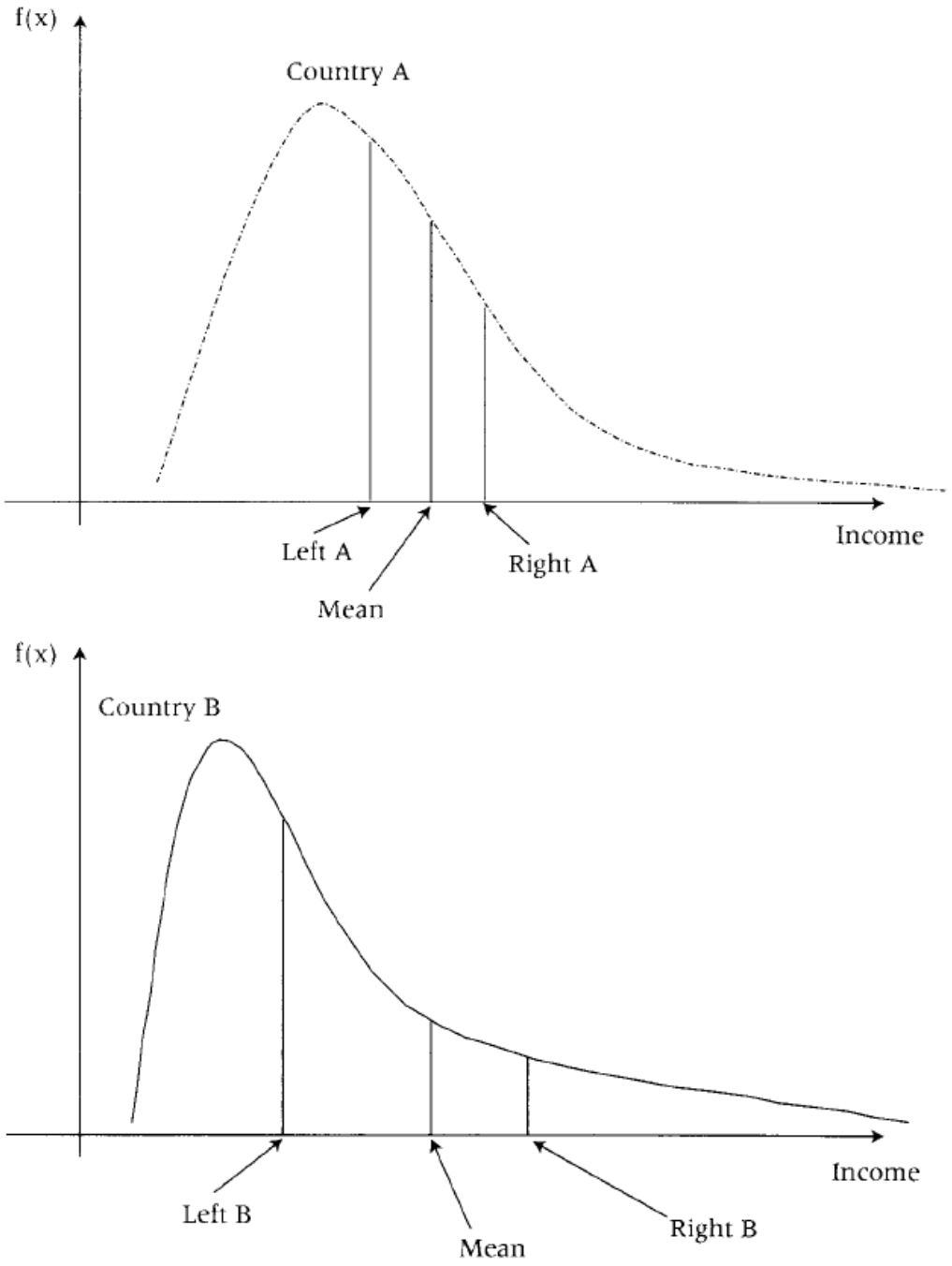
at least in part, by the distance between their income and the mean income. At the same time, we introduce a number of considerations that make for a model of redistributive politics that is certainly more complex but also, we believe, more realistic and more interesting than the rather barren model proposed by Meltzer and Richard. To begin with, we depart from the Meltzer-Richard model by positing that parties of the left and the right have core constituencies to which they are historically and ideologically committed as well as organizationally tied.

In emphasizing core constituencies and enduring policy commitments, we draw on an extensive literature in comparative political economy that identifies partisan effects on macroeconomic policy and social spending (see, for example, Garrett 1998; Hibbs 1987).[2] We also draw on the literature on political behavior and electoral competition that suggests that it is more accurate to conceive of parties as programmatic organizations with well-developed ties to particular social groups. In Bingham Powell's words, the existence of a relationship between "strong, continuing expectations about parties and the interests of social groups not only creates easily identifiable choices for citizens, it also makes it easier for parties to seek out their probable supporters and mobilize them at election time" (1982, 116).

Though we are not aware of any systematic comparative study of this question, a great deal of country-specific evidence indicates that left parties draw more of their support from the lower half of the income distribution than right parties do. McCarty, Poole, and Rosenthal (2006) showed that this is the case for the United States, where class and income have arguably played a less important role in structuring party politics than in any other advanced capitalist country. There is good reason to suppose, then, that in the countries included in our analysis the income of the median left voter is typically lower than the mean income overall, while the income of the median right voter is higher than the mean income. If these conditions hold, a partisan version of the Meltzer-Richard model readily suggests itself, with the preferences for redistribution of median left and right voters being determined by the distance between their income and the mean income. The further the income of the median left voter is from the mean, the more she stands to gain from redistribution. On the other hand, the further the income of the median right voter is from the mean, the more she stands to lose from redistribution. Thus, we might expect that greater inequality, illustrated by the shift from country A to country B in figure 10.2, generates partisan polarization over redistributive policy.

The proposition that the median right voter wants less redistribution as inequality rises may seem odd, for in the Meltzer-Richard framework someone with an income above the mean always wants zero redistribu-

Figure 10.2 Illustration of Our Model



Source: Authors' compilation.

tion. Still, it should be evident that the amount of income loss that a given redistributive scheme entails for such a person increases as the distance to the mean increases. Within the Meltzer-Richard framework, we might say that the *intensity* of the preference for zero redistribution increases with inequality. The willingness of someone in, say, the seventieth percentile of the income distribution to devote more money or effort to defeating redistributive proposals should increase with inequality. Put differently, the importance that such a person assigns to zero redistribution, relative to other policy preferences, should increase with inequality.

We do not mean to suggest that parties are oblivious to the preferences of the median voter. Following Kaare Strom (1990), among others, we assume that parties are motivated by winning elections and, at the same time, by serving the interests of their core constituencies. These objectives are inextricably linked, though they may well pull parties in opposite directions at any given juncture. On the one hand, parties that never win elections or influence government are of little use to their core constituencies. On the other hand, the enthusiasm of party activists and the support of interest organizations matter greatly to voter mobilization. The bottom line here is that the "preferences of the median voter" are hardly exogenous to the dynamics of electoral competition and mobilization: who the median voter is depends on the success of parties in mobilizing citizens to vote. In our conceptualization, parties are constantly engaged in balancing the preferences of core voters against the preferences of swing voters (Aldrich 1995).

Different Forms of Inequality

In the Meltzer-Richard model and in the literature that it has inspired, income inequality is conceived as an essentially homogenous phenomenon that can be captured by a single parameter—such as, for example, the Gini coefficient. By contrast, we hypothesize that different forms of income inequality have different political effects. This idea is closely related to that of parties of the left and the right being tied to different social groups. In our conceptualization, the core constituencies of these parties are distinguished from each other not only by where they fall in the overall income distribution, as indicated earlier, but also by the sources of their income.

Quite simply, we postulate that the core constituencies of left parties consist of voters who derive the lion's share of their income from dependent employment. By comparison, wages account for a considerably smaller share of total income among core constituencies of right parties, which include the self-employed and individuals with substantial real and financial assets. (Note that we do not consider the poor, who derive

much of their income from government transfers, to be a core constituency of either the left or the right). As a result of these differences in the makeup of their core constituencies, it seems reasonable to suppose that left parties are particularly responsive to wage inequality while right parties are more responsive to other manifestations of income inequality. Empirically, we explore this intuition by estimating models that include measures of both wage inequality among full-time employees and disposable household income inequality.

To be more specific, we expect wage inequality to be associated with left parties that advocate more strongly for redistribution, and we expect household income inequality to be associated with stronger opposition to redistribution from right parties. Controlling for wage inequality, we do not expect to observe any effects of household income inequality on the positions adopted by left parties. Similarly, we do not expect to observe any effects of wage inequality on the positions of right parties so long as we control for household income inequality.

Wage inequality and household income inequality tend to move in tandem, but the extent to which this is so varies across countries. In some countries, growing wage inequality has been the principal source of increasing household income inequality over the last two or three decades. In other countries, however, household inequality has grown while wage inequality has remained relatively stable (see Kenworthy and Pontusson 2005). Everything else being equal, the argument sketched so far leads us to expect rising inequality to be associated with left-skewed polarization where (and when) it has primarily occurred through wage dispersion and to be associated with right-skewed polarization where (and when) it has primarily occurred through other mechanisms.

Low-Income Mobilization

Our model posits further that partisan responses to wage and household income inequality are conditioned by income differentials in political participation. As Meltzer and Richard (1981) recognized, their prediction that inequality will be associated with more redistribution rests on the unrealistic assumption that all income earners vote. Under any other circumstance, testing the Meltzer-Richard model requires us to distinguish between the income of the median voter and the median income (Barnes 2006; Nelson 1999). The discrepancy between the two is particularly pronounced in the United States, not only because of low voter turnout but also because many low-income earners are not citizens (McCarty, Poole, and Rosenthal 2006, chap. 4). With reference to figure 10.1, the point here is the following: the Meltzer-Richard model predicts that a

shift from the income distribution of country A to that of country B will generate more redistribution, but it could well be the case that this rise in income inequality is associated with an increase in the inequality of voting. If citizens with low income disproportionately drop out of the political process, increased income inequality will not necessarily translate into an increase in the distance between the median voter and the mean income (see also Anderson and Beramendi, this volume).

Income skew in voting is bound to diminish as aggregate voter turnout approaches 100 percent; as Vincent Mahler (2006) demonstrated, these two factors are indeed closely correlated on a cross-national basis. Like much of the existing literature, we conceive of aggregate voter turnout as a proxy measure for income skew in voting. However, we do not believe that aggregate voter turnout alone suffices to explain variation in the extent to which parties pay attention to the preferences of potential low-income voters.

In the comparative political economy literature, organized labor is commonly considered a political force that promotes redistribution by mobilizing workers who stand to benefit from it. The extent to which unions organize and represent low-income workers varies across countries and over time. As more encompassing union movements reach into the upper half of the wage distribution, the political effects of their increased mobilizing capacity may well be offset by the rising heterogeneity of the interests they represent. Still, it seems reasonable to assume that the income of the median union member falls below the income of the median voter in the electorate as a whole and that unionization makes low-income voters more aware of their relative income and more likely to participate in politics. As Jonas Pontusson and Heyok Yong Kwon's (2006) analysis of individual-level survey data demonstrates, union membership is associated with stronger preferences for redistribution (see also Kumlin and Svallfors 2007).

There are two alternatives regarding the mechanisms whereby low-income mobilization conditions partisan responses to inequality. One way in which low-income mobilization may affect partisan electoral strategies is through the composition and preferences of the core constituencies of left parties. The other is through a direct effect on the median voter, shifting her to a more pro-redistributive position and thereby affecting the strategic behavior of both right and left parties. We treat the choice between these alternatives as an essentially empirical matter. If the first mechanism is more influential than the second, we should observe that the association between wage inequality and pro-redistributive left-party positions becomes stronger at higher levels of low-income mobilization, while the association between household income inequality and anti-redistributive right-party positions is unaffected by the level of low-

income mobilization. If the second mechanism dominates the first, we should observe not only that the association between wage inequality and pro-redistributive left-party positions becomes stronger at higher levels of low-income mobilization, but also that the association between household income inequality and anti-redistributive right-party positions becomes weaker at higher levels of low-income mobilization.

Low-income mobilization affects our hypotheses about the kind of polarization that inequality produces. To illustrate, suppose that wage inequality and disposable household income inequality both rise significantly in a setting characterized by high mobilization. If the effects of mobilization are specific to left parties, we would expect this scenario to translate into symmetric polarization, with left parties responding to wage inequality by adopting more leftist positions and right parties responding to household income inequality by adopting more rightist positions. If high mobilization instead makes both parties more "leftist" in their response to inequality, we would expect this scenario to be associated with left-skewed polarization.

The Center of Political Gravity

By all accounts, what we might call the center of gravity in party politics varies across countries and over time. For instance, the position of the most right wing of the five main parties contesting the Dutch general election of 1998 was, according to the Comparative Manifesto Project, more leftist than the position of Bill Clinton in the presidential election of 1996. While the Netherlands is clearly a more egalitarian country than the United States, we do not believe that contemporary differences in the distribution of income explain why the center of gravity in Dutch politics is further to the left than the center of gravity in American politics. If there is a causal relationship between income distribution and the center of political gravity, it is at least as likely to run in the opposite direction. More leftist government policies must surely play a role in any account of why the distribution of wages and disposable household income is more compressed in the Netherlands than in the United States. (We return to the question of reverse causality in due course.)

There is also a great deal of evidence suggesting that the center of political gravity moved to the right in many OECD countries during the 1980s and 1990s. This trend appears to have been quite pervasive and, for this very reason, cannot be explained simply in terms of trends in the distribution of income. As we shall document later, rising inequality is by no means a universal trend among the countries included in our analysis. A number of other plausible explanations for the apparent shift to the right should be noted. One line of argument holds that this shift reflects

the "growth to limits" of redistributive welfare states. Tax fatigue certainly became a prevalent feature of electoral politics in the 1980s and 1990s, and many voters as well as politicians seem to have become convinced that redistributive policies had reached a point of diminishing returns. In a different vein, the rightward shift of party politics might be attributed to the erosion of the sociological foundations of traditional left politics with the decline of the industrial working class, the decline of unions, and the decline of class voting. Finally, it also seems quite plausible to attribute this rightward shift to pressures associated with globalization, that is, the international integration of financial markets and the intensification of international competition in product markets.

We believe that all of these arguments are relevant to the evolution of party politics since the mid-1970s and that the forces they identify cannot be straightforwardly captured by a few quantitative variables. Our data set is too small to evaluate the relative merits of these arguments in any systematic fashion. Still, our theoretical model makes predictions about the effects of inequality on relative party positions—not about inequality's effects on the center of political gravity. To estimate these effects of inequality we control for the center of political gravity by including a measure of the position of the median voter developed by HeeMin Kim and Richard Fording (1998, 2003) on the right-hand side of our regression equations. As we explain below, Kim and Fording estimate the position of the median voter based on left-right scores of party election manifestos and the distribution of votes among parties.

The Kim-Fording measure confirms that the center of political gravity did indeed shift to the right in most OECD countries in the 1980s and 1990s (see figure 10.4 in the next section). As we shall see, their measure of the position of the median voter turns out to be a strong predictor of the positions adopted by both left and right parties. In itself, this is a somewhat trivial finding, since party positions are used to estimate the median position. More interestingly, however, the results we report here indicate that the rightward shift of party politics in the 1980s and 1990s was skewed. Main left parties generally shifted their positions to the right to a more significant extent than main right parties. Again, our goal here is not to explain either the rightward shift or the convergence associated with this shift. Rather, our analysis explores the effects of inequality on party positions while holding these trends constant.

The Data and Measures

This section describes the data set we constructed to explore the effects of wage and household income inequality on party politics and discusses our measurements for dependent and independent variables.[3] The units

of observation in our data set are country-election-years. For each election from the late 1940s onwards, the Comparative Manifesto Project provides measures of party positions on the left-right dimension, and these measures serve as our dependent variables. Recently published CMP data (Klingemann et al. 2006) enable us to include elections through 2003, but the availability of relevant measures of inequality restricts the number of countries and election-years included in our data set.

Inequality

We draw on two sources for our measures of inequality: the OECD data set on relative wages and the Luxembourg Income Study (LIS). Commonly used in the existing literature, these are the best available data sets providing wage and income measures that are comparable across countries. Pertaining to gross (pretax) earnings for full-time employees, the OECD data set enables us to calculate various decile ratios. Our measure of wage inequality is the 90/10 ratio: the ratio of earnings of someone in the ninetieth percentile (the bottom of the top 10 percent of the wage distribution) to the earnings of someone in the tenth percentile (the top of the bottom 10 percent).

The inequality measure that we derive from the LIS database is the Gini coefficient for disposable household income among working-age households. This measure encompasses all kinds of income—government transfers and returns on financial assets as well as income from employment—and takes into account the (re)distributive effects of taxation and income pooling within households. The Gini coefficient is commonly interpreted as the percentage of total income that would have to be redistributed in order to achieve perfect equality. Like the 90/10 wage ratio, this is a broad summary measure of inequality. There is certainly a lot more that we might want to know about the shape of the income distribution, but for our purposes these inequality measures would seem to be quite sufficient.

We measure household income inequality in terms of disposable income (post-tax-and-transfer income) rather than market income (pretax-and-transfer income) because our theoretical framework posits that voters form policy and party preferences based on their position in the income distribution.[4] We assume that voters have some knowledge, however imperfect, about their relative income.[5] This assumption seems less reasonable for the market income of households than for the disposable income of households or the gross wages of individuals. In addition, cross-national comparisons of market income inequality are highly misleading unless we exclude elderly households (see Kenworthy and Pon-

tusson 2005). In countries with generous public pension systems, many households headed by retired people have no market income at all, but this does not mean that they are poor. Given that the elderly constitute a large segment of the electorate, we do not wish to exclude them from our analysis.

For eight countries, the most recent version of the OECD data set on relative wages (OECD 2004) contains more or less complete time series of annual observations from the mid-1970s (or late 1970s) to the early 2000s (or late 1990s). However, a number of countries do not enter the OECD data set until the 1980s, the early 1990s, or even the late 1990s, and for some countries the time series ends at some point in the 1990s. The LIS data set is organized on the basis of five-year waves, with observations in each wave pertaining to different years for different countries. For the early waves (the mid-1970s and early 1980s), the LIS data set covers only a small number of countries.

In constructing our own data set, we have proceeded as follows. We include as a case any country-election-year for which we have at least one observation of both wage inequality and household disposable income inequality for the year in question or any of the preceding four years. When we have multiple observations of inequality over the five years, which is typically the case for wage inequality, we average these observations. To maximize the number of countries included in our analysis, we use wage inequality data from an earlier version of the OECD data set (OECD 1999) for Belgium and Norway.[6] On the other hand, we decided to drop five observations for Austria, Canada, and Switzerland. For Switzerland, we could only generate a single election-year observation, and the post-1997 time series for Canada in OECD (2004) is strikingly more erratic than the time series for other countries. Austria was eliminated because it was the only remaining country with only two election-year observations.

As shown in table 10.1, the upshot of these procedures is a data set that includes twelve countries, for a total of sixty-eight country-election-year observations. For Denmark and Norway, the data set includes three observations. At the other end of the spectrum, the data set includes nine observations for Sweden and eight observations for Australia and the United Kingdom. On average, we have 5.7 observations per country. While fifty-eight of the observations for household inequality are single-year observations and five of these are contemporaneous with our observations of party positions, only five of our observations for wage inequality are single observations (none contemporaneous), and fully fifty-five of these observations are based on averaging across four or five years.

Before we proceed, it should be noted that our data, as summarized in table 10.1, do not bear out the common notion of an OECD-wide in-

Table 10.1 Country-Election-Years Covered and Descriptive Inequality Data

		Wage Inequality		Household Inequality	
	Election Years	Most Recent	Change[a]	Most Recent	Change[a]
Australia	1983, 1984, 1987, 1990, 1993, 1996, 1998, 2001	2.998	+6.0%	.317	+12.8%
Belgium	1987, 1991, 1995, 1999	1.96	—[a]	.258	+13.7
Britain	1974 (February), 1974 (October), 1979, 1983, 1987, 1992, 1997, 2001	3.45	+17.3	.343	+28.0
Denmark	1988, 1990, 1994	2.155	−1.7	.236	−7.1
Finland	1987, 1991, 1995, 1999, 2003	2.417	+2.5	.247	+18.2
France	1981, 1986, 1988, 1993, 1997, 2002	3.106	−5.1	.278	−5.8
Germany	1987, 1990, 1994, 1998, 2002	3.036	+9.4	.275	+7.0
Italy	1987, 1992, 1994, 1996	2.372	+5.0	.339	+14.1
Netherlands	1986, 1989, 1994, 1998, 2002, 2003	2.92	+18.5	.248	−4.6
Norway	1993, 1997, 2001	1.99	−1.5	.251	+8.7
Sweden	1976, 1979, 1982, 1985, 1988, 1991, 1994, 1998, 2002	2.28	+12.6	.252	+27.9
United States	1976, 1980, 1984, 1988, 1992, 1996, 2000	4.592	+24.3	.370	+22.9

Source: wage inequality: OECD (1999, 2004); household inequality: Luxembourg Income Study (LIS), "Income Inequality Measures," accessed April 15, 2007 at http://www.lisproject.org/keyfigures/ineqbble.html.

[a] Change is measured as the change from the minimum to the most recent observation unless the most recent observation is also the minimum observation; in the latter cases, change is measured as the change from the maximum observation to the most recent observation. A break in the series does not allow us to calculate change for Belgium.

crease in inequality since the early 1980s. The United Kingdom, Sweden, and the United States stand out as the OECD countries in which wage inequality and household income inequality have both increased quite dramatically. However, wage inequality declined in Denmark, France, and Norway and increased only modestly in Australia, Finland, and Italy over the (variable) time periods for which data are available. The tendency for household income inequality to increase is more pervasive, but Den-

mark, France, and the Netherlands bucked this trend, and we observe fairly modest increases in Germany and Norway.

Party Positions

The dependent variables of the empirical models reported here are based on data from the Comparative Manifesto Project and refer to party positions on the left-right dimensions, as measured by Michael Laver and Ian Budge (1992) and subsequent CMP publications (Budge et al. 2001; Klingemann et al. 2006). Briefly, the CMP identifies fifty-four policy areas (or categories) and reports the percentage of "quasi sentences" in election manifestos that fall into each of these areas. Laver and Budge (1992) used factor analysis to identify two groups of thirteen categories that load at the opposite ends of an underlying dimension and calculate left-right scores for individual parties by summing the percentages of manifesto statements that fall into each of the opposing groups and subtracting the percentage of left statements from the percentage of right statements. This yields a left-right index that ranges from −100 (extreme left) to +100 (extreme right).[7]

It is commonplace to argue that the CMP data tell us more about the salience of particular issues than about party positions on these issues. As Kenneth Benoit and Michael Laver (2006) pointed out, however, virtually all of the CMP coding categories are in fact explicitly or implicitly positional (see also McDonald and Mendes 2001). For Benoit and Laver, the more important limitations of CMP-derived left-right scores have to do with the absence of any estimates of measurement error and the fact that they fail to capture variation in the meaning of the left-right divide across countries and over time. With regard to the latter issue, Benoit and Laver emphasized that the left-right dimension was inductively derived from an analysis of party manifestos between 1945 and 1985 (and therefore does not include, for example, party positions on environmental issues).

Our analysis depends on being able to track changes in party positions over time. The expert surveys that Benoit and Laver favor as an alternative to the CMP approach provide, at best, two observations of party positions per country. The absence of any estimates of measurement error in the CMP database is simply the price that we have to pay to obtain a more time-sensitive set of left-right scores. As for the meaning of the left-right divide in politics changing over time, this is arguably not such a serious problem since our theoretical framework pertains to the representation of voter preferences for redistribution. For us, the problem with the CMP left-right dimension is that it contains too many policy items rather than too few. A left-right index focusing more strictly on policies

with a redistributive impact would be desirable, but the so-called welfare dimension in the CMP data set does not fit the bill. As Gøsta Esping-Andersen (1990) and others have long argued, there are many political forces in Europe, most notably Christian democracy, that favor social protection without favoring redistribution.

Several studies (for example, Powell 2000) have shown that the standard CMP left-right scores provide a reasonably good summary of what parties stand for in elections and that the left-right dimension is in fact a meaningful factor for voters. There is also evidence in the existing literature suggesting that these scores can be used to predict what parties actually do when they come to power (see, for example, Budge and Hofferbert 1990). Furthermore, the CMP's left-right index correlates reasonably well with various party classification schemes based on expert surveys (see Gabel and Huber 2000; McDonald and Kim, n.d.). For the main parties of the left and right combined, the correlation between the most recent left-right scores in our data set and the expert scores on the general left-right dimension reported by Benoit and Laver (2006) is .71. Even more noteworthy, the correlation between our most recent left-right scores (for main parties) and Benoit and Laver's expert scores on their "taxes-versus-spending" dimension is .77.

The fact that the left-right dimension, as measured here, encompasses issues that do not pertain directly to redistribution arguably militates against finding effects of inequality on party positions. There is certainly no reason to believe that measuring the positions of parties in this manner biases the exercise in favor of our theoretical expectations. It should also be noted that there is a great deal of election-to-election volatility in left-right scores (for the same party) in the CMP data. This volatility reflects not only measurement error but also, we believe, strategic signaling by parties. For instance, a left party that has decided to move to the center may exaggerate the extent of its move to offset its reputation. Smoothing party scores over several elections might yield more accurate measures of party positions (McDonald and Mendes 2001), but it would also introduce an obvious endogeneity problem into our analysis. To avoid invoking inequality in year t as an explanation of party positions in some previous year, we stick with single-year (current) observations of party positions. Again, this approach may generate noise that militates against finding statistically significant effects of inequality.

The dependent variable of the empirical models that we report below is the left-right score of either the main party of the left or the main party of the right, with higher scores representing more rightist positions in both cases. We code as "main party of the left" the party that won the largest share of the left vote in the most elections included in our data

Table 10.2 Main Parties of the Left and Right

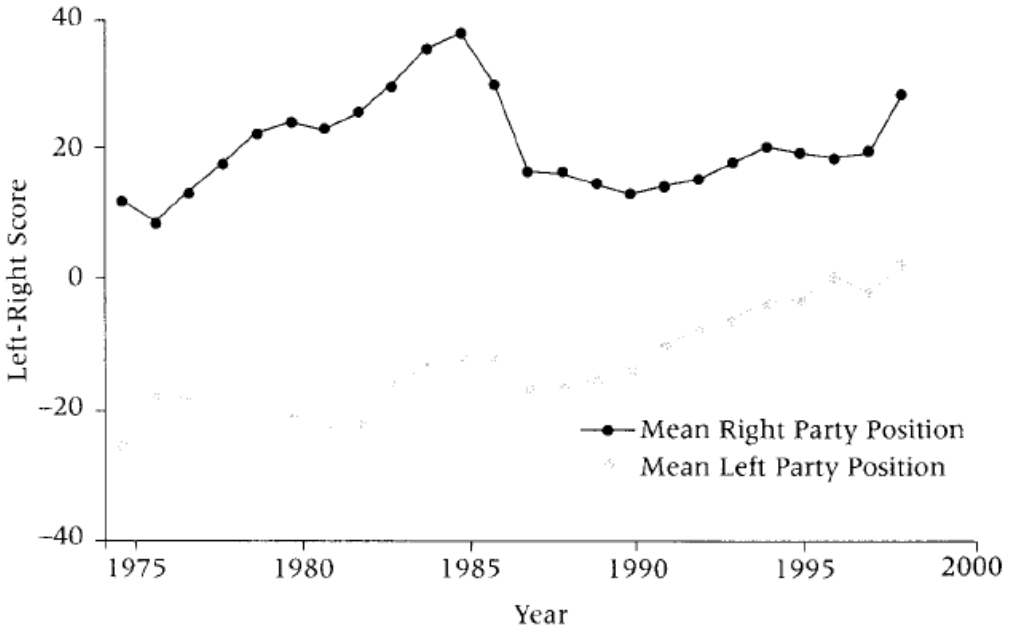
	Left	Right
Australia	Labour	Liberals
Belgium	Socialists (SP+PS)	Christian Democrats (CVP+PSC)
Britain	Labor	Conservatives
Denmark	Social Democrats (SD)	Conservatives (KF)
Finland	Social Democrats (SSDP)	Center Party (SK)
France	Socialists (PS)	Gaullists (RPR, UMP)
Germany	Social Democrats (SPD)	Christian Democrats (CDU/CSU)
Italy	PCI/PDS	Christian Democrats (DC)
Netherlands	Labor (PvdA)	Christian Democrats (CDA)
Norway	Labor (DNA)	Conservatives (H)
Sweden	Social Democrats (SAP)	Moderates
United States	Democrats	Republicans

Source: Authors' compilation.

set, and similarly, we code as "main party of the right" the party that won the largest share of the non-left vote in the most elections (see table 10.2). While party positions change, our analysis thus holds the identity of main left parties and main right parties constant.[8]

Figure 10.3 graphs annual averages for the left-right scores of the left and right main parties over the period 1975 to 1998 in the twelve countries included in the data set. Values for non-election years have been interpolated linearly, so that all twelve countries are included in most of the annual averages.[9] In marked contrast to the American case (McCarty, Poole, and Rosenthal 2006), we do not observe any secular OECD-wide trend toward the polarization of party politics over this period. If wage inequality and household inequality had uniformly increased across the OECD countries over the same period, this would be a most damning picture for this chapter's partisan Meltzer-Richard model. As noted already, however, inequality increased significantly only in some of the countries included in our data set (see table 10.1). Also, we hasten to stress that our framework posits that trends in wage inequality and household income inequality have different political effects and that other variables must be taken into account. By focusing on trends over time and pooling data across twelve countries, figure 10.3 hides much of the interesting variation in our data set. In short, it is necessary to engage in multivariate analysis to estimate the effects of different forms of inequality on party politics.

Figure 10.3 Positions of Main Left and Main Right Parties on the Left-Right Dimension: Yearly Means for Twelve Countries, 1975 to 1998



Source: Authors' calculations based on data in Klingemann et al. (2006).

Other Variables

As indicated earlier, we believe that the political mobilization of low-income groups matters to party responses to inequality. We hypothesize that this variable either renders left parties alone more leftist when they react to inequality or, alternatively, has a similar effect on left and right parties. In principle, it would be desirable to estimate separately how voter turnout and unionization condition partisan responses to inequality, but our data set is quite limited, and these variables are correlated with each other. To simplify matters, and to avoid multicollinearity problems, we combine turnout and unionization into a single variable, which we refer to as "low-income mobilization." We generate this single measure of low-income mobilization by summing standardized scores for voter turnout and union density and lag the impact of this variable by averaging observations over five years, including the election year in question.[10]

Table 10.3 reports mobilization scores by country. Based on the most recent observations in our data set as well as average scores, Sweden,

Table 10.3 Mobilization Scores by Country

	Average	Mid-1980s	Most Recent
Sweden	2.241	2.411	1.725
Denmark	1.839	2.023	1.655
Belgium	1.561	1.557	1.49
Australia	.956	1.219	.468
Finland	.772	.831	.472
Norway	.359	.586[a]	.311
Italy	.287	.458	.060
Britain	−.398	.033	−1.207
Germany	−.423	.096	−.600
Netherlands	−.863	−.536	−1.106
France	−1.83	−.968	−2.058
United States	−3.458	−3.328	−3.454

Source: Sum of standardized scores for voter turnout and net union density (union members as a percentage of the employed labor force). Turnout data from Armingeon et al. (2004), supplemented by Internet sources for 2003. Union density data from Ebbinghaus and Visser (2000) except for Australia, Japan, the United Kingdom, and the United States: pre-1990 figures for these countries from Visser (1996) and post-1990 figures provided by Ebbinghaus. The following observations were extrapolated: all countries for 2001, Switzerland for 2002 and 2003, Sweden for 2002, Finland for 2002 and 2003, the Netherlands for 2002 and 2003, France for 2002, and Germany for 2002.

[a] The Norwegian "mid-1980s" figure refers to 1993.

Denmark, and Belgium stand out as the countries with the highest levels of low-income mobilization. At the other end of the spectrum, the United States stands out as the country in which low-income groups are by far the least mobilized as participants in the political process. France and the Netherlands also fall into the low-mobilization camp, as does the United Kingdom in the more recent period. The decline of low-income mobilization is most striking in the British case but emerges very clearly as a general trend in our data. In every single country included in our analysis, the most recent mobilization scores are also the lowest.

With total observations of only sixty-eight, we want to keep the number of control variables to a minimum. However, it is clearly necessary to control for the center of political gravity. Our theoretical framework generates predictions about the effects of inequality on relative party positions, not about its effects on the center of political gravity. As mentioned earlier, we control for the effects of the center of political gravity by including a measure of the position of the median voter developed by Kim and Fording (1998, 2003) in our analysis. Using CMP data, Kim and Fording identify the midpoints between parties that have been ranked on

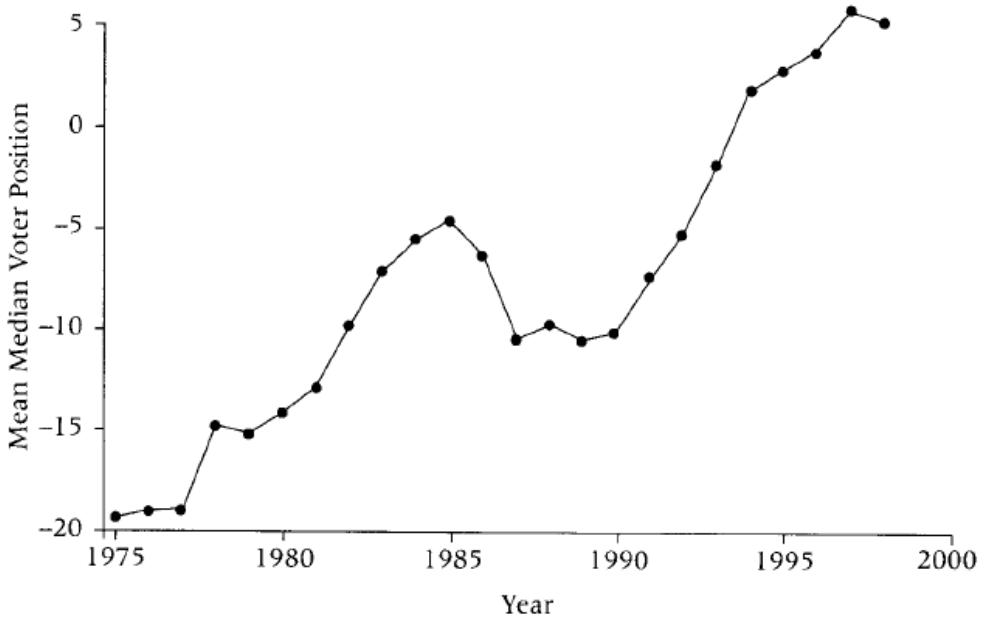
the left-right dimension and assume that the policy preferences of those who voted for a particular party are evenly distributed across the interval between the two midpoints that separate this party from the parties to its immediate right and immediate left. They then estimate the position of the median voter in the electorate. It deserves to be underscored that Kim and Fording assess the position of the median voter based on policy positions articulated by parties and do not rely on any direct evidence on voter opinions or preferences. Their measure might more appropriately be conceived as a measure of "the center of gravity in electoral competition." On the other hand, it seems quite accurate to think of the position of the median voter as being constructed by parties in competition with each other. Mindful of the complex issues involved here, we stick with the variable label used by Kim and Fording.

We have rescaled Kim and Fording's measure of the position of the median voter so that it conforms to the standard CMP measure of party positions, ranging from −100 to +100, with higher numbers representing more rightist positions. The actual variable included in our regression models is the average value of the median voter's position for the election year in question and the preceding four years. Following Kim and Fording, our five-year averages are based on linearly interpolated values for non-election years. This setup captures the idea that shifts in the center of gravity are not simply an unanticipated outcome of elections. We assume that parties observe shifts in voter opinions and the policy positions of their competitors between elections and take such shifts into account when they prepare their election programs. At the same time, we expect that it takes parties some time to respond to changes in the position of the median voter.

Tracking the evolution of the average median voter position on the left-right dimension in our twelve countries, figure 10.4 strongly confirms that the time period covered by our analysis is characterized by a rightward trend in electoral politics.[11] To reiterate, our goal in this chapter is not to explain the rightward shift illustrated by figure 10.4 but rather to explore the effects of inequality on party strategies while controlling for this shift. We expect the rightward shift of the median voter to be associated with more rightist positions held by the main parties of the left and the right alike.

Our regression models include one final control variable: the effective number of parties, as measured by Markku Laakso and Rein Taagepera (1979). This variable is also measured as a five-year average. The motivation for including it is simply to control for the effects of party-system dynamics. The most obvious hypothesis along these lines is that multiparty competition is a source of political polarization, pushing main left parties to the left and main right parties to the right (see Cox 1990).

Figure 10.4 Median Voter Position on the Left-Right Dimension: Yearly Means for Twelve Countries, 1975 to 1998



Source: Transformed Kim-Fording measure, based on data downloaded from HeeMin Kim's home page, accessed April 15, 2007.

Empirical Results

The results reported here were obtained by estimating a series of models with the following specification:

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \ldots + \beta_n X_{nit} + \varepsilon_{it} \qquad (10.1)$$

where Y_{it} represents the positions on the left-right dimension of either left or right parties, β_0 represents a general intercept, X_1 to X_n are the explanatory variables (wage inequality, household income inequality, low-income mobilization, the position of the median voter, and the effective number of parties),[12] β_1 to β_n are the slopes of the explanatory variables, and ε_{it} denotes the errors.

We recognize that there may be a number of country-specific effects that we cannot estimate directly (specific historical circumstances, institutional complexities, and so on) and that the existence of country-specific omitted variables could affect the accuracy of our estimation. To

mitigate this potential problem we estimate random effects.[13] The results presented here therefore were obtained through a set of standard generalized least squares random-effects models. We also estimate standard errors that are robust to correlation within countries. All our results report robust variance estimates (more specifically, the Huber/White/sandwich estimate of variance).

All models reported in table 10.4 estimate the effects of both wage inequality and household income inequality. The first two models estimate only the direct effects of these and the other variables identified earlier. The four interaction models explore the effects of low-income mobilization on the relationship between inequality and party positions. Because of the potential problem posed by multicollinearity, we estimate the effects of interacting mobilization with wage inequality and household inequality separately.

Setting the effects of inequality aside for the time being, our results show that the median voter position is associated with those held by left and right parties alike. In all three models with left party positions as the dependent variable, this variable is significant at better than the 99 percent confidence level. Once we control for interaction effects, the median voter also becomes a statistically significant predictor of right party positions. Given that party positions are used to estimate the position of the median voter, it is hardly surprising that parties of the left and the right move in the same direction as the median voter. A far more interesting finding is that the size of the coefficient for this variable is much larger (invariably more than three times as large) in the models with left party positions as the dependent variable. It appears that left parties are more vulnerable to shifts to the right by the median voter. This makes sense, since, for right parties, the median voter has moved in the same direction as their core constituencies. For the left, this has not been the case, and left parties have had to make larger strategic adjustments than right parties in order to remain competitive as the center of gravity has shifted in a rightward direction.

Our results do not support the proposition that multiparty competition is a source of polarization. According to our findings, the effective number of parties has no effect on the position of left parties, but it has a strong negative effect on the position of right parties. Consistent with Torben Iversen and David Soskice's (2006) thesis that proportional representation favors the left, this finding suggests that right parties move to the left when they are faced with multiparty competition or, alternatively, that more centrist parties tend to dominate more rightist parties when the right is fragmented.

When we do not control for interaction effects, wage inequality is weakly associated with more leftist left parties and appears to have no ef-

Table 10.4 Determinants of Party Positions on the Left-Right Dimension

	Main Effects		WI*MOB		HI*MOB	
	Left	Right	Left	Right	Left	Right
Constant	9.419	2.819	14.768	17.795	16.219	18.138
	(21.208)	23.040	(21.411)	(20.612)	(17.315)	(21.756)
	.657	*.903*	*.490*	*.388*	*.349*	*.404*
Wage inequality	−11.425	1.239	−16.093	−5.912	−17.997	−7.025
	(7.117)	(7.006)	(6.148)	(4.840)	(6.339)	(5.554)
	.108	*.860*	*.009*	*.222*	*.005*	*.206*
Household inequality	53.295	111.193	72.658	124.163	86.709	136.948
	(76.687)	(43.506)	(92.074)	(39.130)	(90.073)	(42.926)
	.487	*.011*	*.431*	*.002*	*.336*	*.001*
Low-income mobilization	−1.116	5.236	6.296	16.847	13.122	23.462
	(1.488)	(.2.405)	(3.805)	(4.627)	(6.056)	(5.666)
	.454	*.029*	*.098*	*.000*	*.030*	*.000*
WI*mobilization			−2.658	−4.137		
			(1.031)	(1.135)		
			.010	*.000*		
HI*mobilization					−55.216	−70.375
					(20.980)	(17.217)
					.008	*.000*
Median voter position	.535	.134	.549	.145	.571	.169
	(.054)	(.086)	(.076)	(.074)	(.071)	(.074)
	.000	*.119*	*.000*	*.049*	*.000*	*.023*
Number of parties	−.461	−4.314	−.430	−4.779	−.453	−4.817
	(.935)	(1.240)	(.982)	(1.023)	(.923)	(.995)
	.622	*.001*	*.661*	*.000*	*.624*	*.000*
R-squared overall	.432	.401	.472	.485	.489	.482
Observations	68	68	68	68	68	68

Source: Authors' calculations.

Note: Results are from generalized least squares random-effects models. Numbers are estimated coefficients; numbers in parentheses are robust variance standard errors that adjust for within-country correlation; numbers in italics are p-values from two-sided t-tests.

fect whatsoever on the position of right parties. By contrast, household income inequality is strongly associated with more rightist right parties, but we do not observe any relationship between household inequality and the position of left parties.[14] The coefficient of our mobilization variable is negative but not statistically significant for left parties, while positive and significant for right parties. Rather surprisingly, high voter

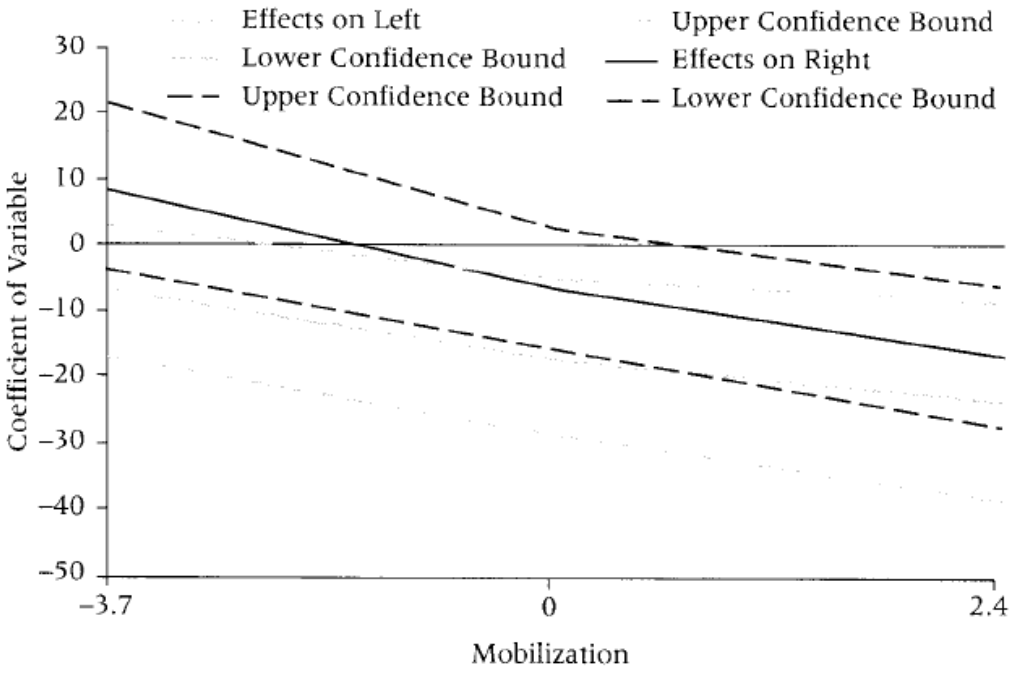
turnout and union density appear to be associated with more right-leaning right parties. When we interact mobilization with either measure of inequality, the direct effect of mobilization is positive for both left parties and right parties. For our purposes, however, the key point is that all interaction terms have negative coefficients and are significant at the 99 percent level. As mobilization increases, left and right parties alike move to the left in response to either form of inequality.

As is the case with all interactive models, the results in table 10.4 are not easy to interpret. Testing this chapter's hypotheses requires assessing the effects of wage and household income inequality at different levels of mobilization. Using the estimates from the interaction models in table 10.4, figures 10.5 and 10.6 graph the conditional coefficients of wage and household inequality at different levels of mobilization (and the 95 percent confidence intervals around these estimates). These figures provide very strong confirmation of the hypotheses in our theoretical framework. The association between wage inequality and left parties is significant only at medium and high levels of mobilization, and the coefficient of wage inequality is always negative, increasing in size with mobilization. For right parties, the coefficient for wage inequality is insignificant at most levels of mobilization. Only at very high levels of mobilization do we observe a statistically significant association between wage inequality and more leftist (or less rightist) right parties.

In figure 10.6, we observe a strong and very significant association between household income inequality and more right wing right parties at low levels of mobilization. As mobilization increases, this association disappears. The point estimates for the impact of household inequality on left parties follow a very similar trajectory, but these estimates never satisfy conventional criteria of statistical significance.

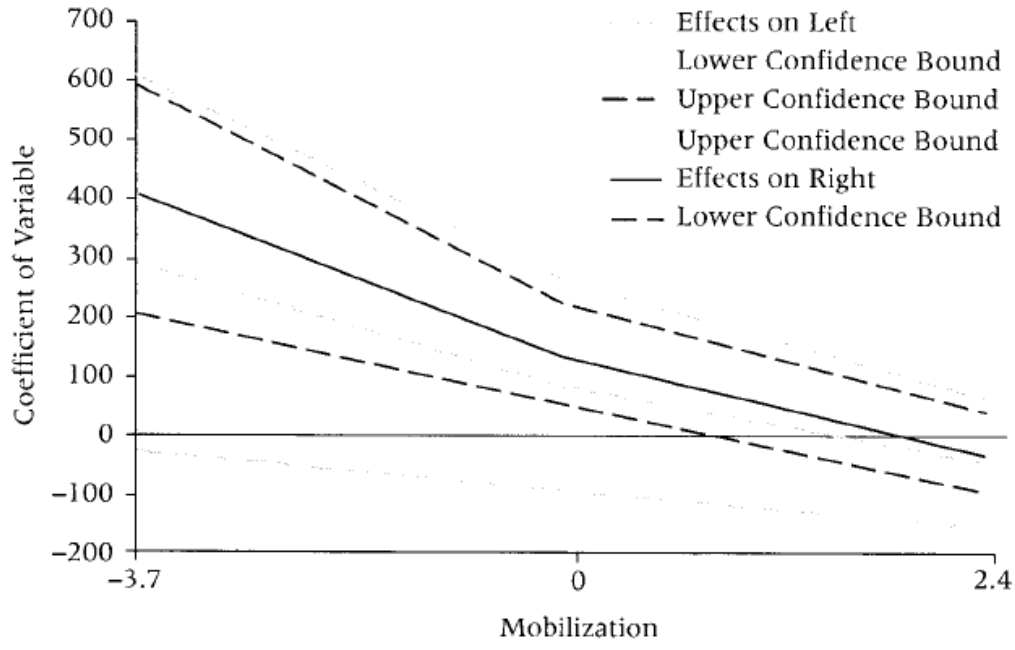
Figure 10.5 makes clear that increasing wage inequality pushes left parties to the left when mobilization is high (at the level of the mean or higher), but it is difficult to assess the substantive significance of these results. To understand what these estimates mean we can compare two countries. The United States is a country with a very low level of mobilization. In 1980, for example, the value for our five-year average of union density was 21.5, and the value for our five-year average of voter turnout was 45.44. After we standardize these two measures and add them up, we obtain a measure of mobilization equal to –3.33. This is not the lowest of the mobilization observations in our sample, but as indicated in table 10.3, it is within the range of very low values. In 1980 the five-year average for the 90/10 ratio in the United States was already a pretty high 3.76. By the year 2000, however, the five-year average for the 90/10 ratio in the United States had reached a whopping 4.59. Our results suggest that because of the low level of mobilization (a level that in fact decreased further from 1980 to 2000), an increase in wage in-

Figure 10.5 Effects of Wage Inequality on Left and Right Party Positions, Conditional on Levels of Mobilization



Source: Authors' calculations based on regression results presented in table 10.4.

Figure 10.6 Effects of Household Income Inequality on Left and Right Party Positions, Conditional on Levels of Mobilization



Source: Authors' calculations based on regression results presented in table 10.4.

equality in the United States would have no significant effect on the position of the Democratic Party.

Sweden, on the other hand, has the highest level of mobilization in our sample. In 1988 the value for our five-year average of union density was 82.76, and the value for our five-year average of voter turnout was 89.42. After we standardize these two measures and add them up, we obtain a measure of mobilization equal to 2.4. What would be the effect of the increase in inequality we have described in the previous paragraph if the United States had the mobilization level of Sweden? Our interaction results show that an increase in the 90/10 ratio from 3.76 to 4.59 would have been associated with a move equal to around nineteen points to the left by the Democratic Party. To put this in context, the Democratic Party had a score of –21.2 on the left-right dimension in 1980. Our results suggest that if mobilization had been as high in the United States as in Sweden, this increase in wage inequality would have pushed the Democratic Party's position to the left by nineteen points (to –40.2), ceteris paribus. Instead, the position of the Democratic Party in 2000 (–3.6) was much more centrist.

Similarly, figure 10.6 makes clear that increasing household income inequality pushes right parties to the left (that is, it makes them less conservative) as mobilization grows. We can again assess the substantive significance of these results by comparing two countries. In 1992 the value for our five-year average of union density in the United States was 15.58, and the value for our five-year average of voter turnout was 43.78. After we standardize these two measures and add them up, we obtain a measure of mobilization equal to –3.7. This is in fact the lowest value for mobilization in our sample. In 1992 the corresponding household income Gini value for the United States was .338.[15] By the year 2000, however, the value of the household income Gini had increased to .370.[16] Figure 10.6 shows that, because of the low level of mobilization, an increase in household income inequality in the United States would have a big effect on the position of the Republican Party. An increase from .338 to .370 in the Gini is associated with a move to the right by the Republican Party equal to thirteen points on the left-right dimension.

The United Kingdom in 1979, on the other hand, had a level of mobilization quite close to the mean in our sample. In 1979 the value for our five-year average of union density was 51.9, and the value for our five-year average of voter turnout was 73.58. After we standardize these two measures and add them up, we obtain a measure of mobilization equal to –0.03 (close to the mean, which is 0). What would be the effect of the increase in household income inequality we have described in the previous paragraph if the United States had the mobilization level of the United Kingdom? Our interaction results show that an increase in the Gini from

.338 to .370 when mobilization is at the mean[17] is associated with a move equal to around four points to the right by the Republican Party. To put these numbers in context, the Republican Party had a score of 30.42 on the left-right dimension in 1992. Our results suggest that with the American level of mobilization, the increase in household inequality in the United States from 1992 to 2000 would have pushed the score to 43.42. However, if mobilization had been as high in the United States as in the United Kingdom in 1979, the increase in household income inequality would have only moved the Republican Party's position to a score of 34.42.

Our theoretical model implies that causality runs from the distribution of income to party positions via the policy preferences of core constituencies, as well as the policy preferences of the median voter in the electorate as a whole. We readily admit that causality might also run in the opposite direction: from party politics to the distribution of income. For the United States, Larry Bartels (2008, chap. 2) argued persuasively that the policies pursued by Republican administrations have been a major source of the growth of inequality in disposable household income since the 1970s. However, we do not believe that reverse causality can adequately account for the results presented here. There are several reasons for this.

Two of those reasons have already been mentioned. To reiterate, first, our analysis is based on measures of inequality that are temporally prior to our measures of party positions. Second, there is a significant amount of intertemporal volatility in our measures of party positions. It should again be noted that while we do observe a secular and quite pervasive rightward shift of the center of political gravity across the countries included in our analysis (figures 10.3 and 10.4), rising inequality is not a secular and pervasive trend in our data set (table 10.1).

There are some additional reasons for our belief that this chapter's arguments model causality correctly. The first one is that the reverse-causality objection pertains primarily to the effects of household income inequality, since our measure of household income inequality refers to disposable income and thus takes into account the effects of taxation and government transfers. Government partisanship certainly affects the distribution of wages through minimum-wage legislation and the indirect, second-order effects of taxation and social benefits. But (as shown by Rueda, this volume), the connection between partisanship and policy, on the one hand, and policy and wage inequality, on the other, is not completely straightforward, being highly dependent on the institutional context. Reverse causality simply does not provide a plausible account of why we observe a strong association between wage inequality and more leftist (redistributive) positions held by left parties.

For a subset of nine countries (fifty-four observations), the association between household income inequality and the positions held by right

parties at low levels of mobilization still obtains when we replicate our interaction model with household inequality measured in terms of market income (before taxes and transfers) rather than disposable income. The finding that increasing household inequality is associated with more rightist right parties when mobilization is low is therefore less vulnerable to the reverse-causality objection than might at first appear to be the case. Finally, the conditioning effects of low-income mobilization surely make more sense if we think of causality as running from the income distribution to party politics rather than the other way around.

Patterns of Change over Time

Since most of the variation in our sample is cross-sectional, our empirical models do a much better job of explaining variation across countries than they do of explaining over-time variation within countries. This should not come as a huge surprise given the volatility of left-right scores from one election to the next and the limited number of election years per country in our data set. Our goal in this section is to demonstrate, in an admittedly less rigorous fashion, that the theoretical framework elaborated earlier sheds light on within-country changes over time as well as on between-country differences. For a subset of our twelve countries, we explore the extent to which trends in wage and household income inequality might be invoked to explain patterns of partisan polarization or convergence over the 1980s and 1990s.

To begin with, it should be noted that the results presented earlier indicate quite definitely that the conditioning effects of low-income mobilization are not specific to left parties. As we have seen, right parties as well as left parties become more leftist in their response to inequality, be it wage or household income inequality, as low-income mobilization rises. This finding allows us to articulate more precise expectations as to how different inequality trends and levels of mobilization jointly give rise to different patterns of partisan polarization. We present these expectations in table 10.5.

Our theoretical model and regression results lead us to expect that rising wage inequality in the absence of rising household income inequality will generate left-skewed polarization at medium and high levels of mobilization. Conversely, rising household income inequality in the absence of rising wage inequality will generate right-skewed polarization at low and medium levels of mobilization. Finally, the joint occurrence of these inequality trends will generate right-skewed mobilization at low levels of mobilization, but left-skewed polarization at high levels of mobilization and symmetric polarization at medium levels of polarization. We hasten to point out that these expectations are based on holding levels of mobi-

Table 10.5 Expected Polarization Patterns

	Low-Income Mobilization		
	Low	Medium	High
Wage inequality rising	No polarization	Left-skewed polarization	Left-skewed polarization
Household income inequality rising	Right-skewed polarization	Right-skewed polarization	No polarization
Both wage inequality and household income inequality rising	Right-skewed polarization	Symmetric polarization	Left-skewed polarization

Source: Authors' compilation.

lization constant. In many countries, mobilization levels have fallen at the same time as either or both forms of income inequality have increased, rendering the predictions of our model more ambiguous.

For seven countries, table 10.6 reports on the positions held by the main parties of the left and right at the beginning of the 1980s and 2000s. To mitigate the problem of election-to-election volatility, we have averaged the scores for two consecutive elections in the 1970s (or the late 1970s and very early 1980s) and the scores for the two last elections included in the CMP database. In addition, table 10.6 records the absolute difference in left-right scores between the main left and main right parties and the midpoint between their positions (the latter measure being akin to the center-of-gravity variable used in the previous analysis). Considering changes in these two measures jointly enables us to distinguish between right-skewed and left-skewed polarization or convergence. To keep our discussion relatively simple, table 10.6 includes the three countries with the highest average mobilization scores and the three countries with the lowest average mobilization scores (see table 10.3). In addition, we include the United Kingdom as an ambiguous case of special interest.

For our purposes, comparing the trajectories of partisan politics in Sweden, the United States, and the United Kingdom is particularly germane because all three countries experienced very large increases in both wage and household income inequality in the 1980s and 1990s (see table 10.1), and yet they vary dramatically in terms of our conditioning variable—political mobilization of low-income groups. In our data set, Sweden is the country with the highest mobilization scores, while the United States is the country with the lowest mobilization scores. In Sweden, voter turnout dropped from 90.7 percent in 1979 to 80.1 percent in 2002, but union density essentially held steady over this period. In the United States, by contrast, voter turnout held steady while union den-

Table 10.6 Left-Right Scores of the Main Left and Right Parties Circa 1980 and 2000, Selected Countries

	Left	Right	Left-Right Difference	Midpoint
United States				
1976, 1980	−20.5	14.5	34.5	−3.3
1996, 2000	2.6	18.7	26.1	15.7
Change	23.1	14.3	−8.4	19.0
United Kingdom				
1974 (October), 1979	−27.1	17.9	45.0	−4.6
1997, 2002	6.8	20.3	13.5	13.6
Change	33.9	2.4	−31.5	18.2
Sweden				
1976, 1979	−13.4	12.7	16.4	.4
1998, 2002	−10.9	37.7	48.6	13.4
Change	2.5	25.0	22.5	13.0
France				
1978, 1981	−33.5	17.3	50.8	−8.1
1997, 2002	−14.7	−6.1	8.6	−10.4
Change	18.8	−23.4	−5.1	−2.3
Denmark				
1977, 1979	−12.1	29.0	41.1	8.5
1998, 2001	−4.2	19.8	24.0	7.8
Change	7.9	−9.2	−17.1	−.7
Belgium				
1977, 1978	−20.5	−1.5	19.0	−8.1
1995, 1999	−19.2	−5.4	13.9	−10.4
Change	1.2	−3.9	−5.1	−2.3
Netherlands				
1977, 1981	−37.1	−15.5	21.6	−26.3
2002, 2003	−5.2	2.5	7.7	−1.3
Change	31.9	18.0	−13.9	18.6
Twelve-country average				
Early	−22.1	7.9	30.0	−7.1
Recent	−5.3	18.6	23.8	6.7
Change	16.8	10.7	−6.2	13.8

Source: Authors' calculations based on data in Klingemann et al. (2006).

sity continued to decline. However, the changes in mobilization scores recorded for these countries are minor by comparison to those in the United Kingdom, which was closer to the mean mobilization score than any other country at the onset of the 1980s but had become a low-mobilization country by the late 1990s.

By the logic set out here, we should observe right-skewed polarization

in the United States and left-skewed polarization in Sweden. Considering the United Kingdom to be a medium-mobilization country, we would expect to observe more or less symmetric polarization there, but the decline of mobilization renders this expectation more ambiguous. The data for the United States, the United Kingdom, and Sweden presented in table 10.6 do not immediately confirm our expectations, but a more careful look suggests that our theoretical framework does shed some light on these cases.

Let us start with the American case. According to the CMP data presented in table 10.6, the Republicans did indeed move to the right from the late 1970s to the late 1990s, but their rightward shift was not nearly as large as the rightward shift of the Democrats. As a result, we observe right-skewed convergence rather than right-skewed polarization. This brings out an important limitation of the CMP data for the United States, namely, that the data are based exclusively on coding party platforms in presidential elections. Analyzing congressional behavior, McCarty, Poole, and Rosenthal (2006) demonstrated conclusively that the Democrats and the Republicans actually moved apart in this period, and their evidence suggests that the widening gap was primarily due to the Republicans moving to the right. Based on qualitative evidence, Jacob Hacker and Paul Pierson (2005) also made a compelling case that it was the Republicans who moved "off center" in the 1980s and 1990s. The CMP data notwithstanding, the United States can readily be characterized as a case of right-skewed polarization and thus fits very well with the predictions of our model.

Like the United States, the United Kingdom emerges from table 10.6 as a case of right-skewed convergence, with the Labour Party moving sharply to the right and the Conservatives essentially staying put. In this case, we have no particular reason to doubt the CMP data. The problem is rather that the figures presented in this table cover two very distinctive phases in the development of British politics—the Thatcher era and the Blair era. According to the CMP data, the Labour Party's position in the election of 1992 was actually to the left of the position that it had held in the second (October) election of 1974 (–30.4 as compared to –27.1), while the Conservatives were much further to the right in 1992 than they had been in the second election of 1974 (27.9 as compared to 11.4). Thus, the United Kingdom in the 1970s and the 1980s might indeed be seen as a case of symmetric polarization generated by rising wage and household inequality under conditions of medium mobilization.

Our theoretical framework highlights two conditions that help explain Labour's sharp turn to the right under Tony Blair and the Conservatives' subsequent move toward the center. In part, Blair's move to the right can be interpreted as a consequence of sharp declines in voter turnout and unionization over the 1980s and early 1990s. Perhaps more important,

and less commonly recognized, the transition from polarization to right-skewed convergence in British party politics coincided with a marked deceleration of inequality growth. Wage inequality in the United Kingdom increased by 15.3 percent from 1978 (an all-time low) to 1992, and the Gini coefficient for disposable household income increased by 24.4 percent from 1979 to 1991. By contrast, wage inequality increased by only 4.7 percent from 1992 to 2002, and household income inequality increased by 2.1 percent from 1991 to 1999 according to our data.

Sweden is indeed a case of polarization, as our theory predicts, but the polarization that we observe in table 10.6 is right-skewed rather than left-skewed. Despite rising wage inequality and high levels of mobilization, the Swedish Social Democrats moved to the right rather than the left over the 1980s and 1990s. Three points deserve to be made regarding this apparent puzzle. The first one is that all the growth in wage inequality reported in table 10.1 actually occurred in the 1990s (from 1980 to 1990, the Swedish 90/10 wage ratio dropped from 2.03 to 2.01). The sharp right turn taken by the Swedish Social Democrats in the early 1990s predated the rise of wage inequality. Coinciding with a deep economic crisis, this right turn is not particularly difficult to explain. By the election of 2002, however, the Social Democrats had essentially moved back to the position they had held in the early 1980s.[18] To some significant extent, this leftist course correction can be seen as a direct response to political pressures on the party leadership associated with rising wage inequality under conditions of high mobilization.

The second point is that the decline of voter turnout in Sweden, from 90 percent in the mid-1980s to 80 percent in 2002, mitigated the Social Democrats' responsiveness to wage inequality. Third, and perhaps most importantly, the contrast with the British Labour Party and the American Democrats is striking. In a fundamental sense, the Swedish Social Democrats hardly moved at all, neither left nor right, during the 1980s and 1990s. Considering that many other left parties followed the median voter in a move sharply to the right during this period, this observation seems quite consistent with our theoretical model. From our perspective, what is truly puzzling about the Swedish case is not the fact that the Social Democrats did not turn left in response to rising wage inequality, but rather the (increasingly) rightist orientation of Swedish Conservatives, despite persistently high levels of low-income mobilization. We do not have a tidy solution to this puzzle. Suffice it to note here that the Conservatives did move sharply toward the center in their successful election campaign of 2006.

Let us now consider, more briefly, the countries included in the lower panel of table 10.6. France is a very interesting case because it is the only OECD country in which wage inequality and household income inequal-

ity both declined considerably from 1980 to 2000 (see table 10.1). Our model predicts that in these circumstances there would be limited incentives for party polarization, regardless of the level of mobilization. France, of course, is a case of very low mobilization, primarily on account of the weakness of French unions. Though we have wage data only for the 1980s, Denmark seems to be a high-mobilization case in which wage inequality was essentially stable while household income inequality declined over the 1980s and 1990s. Here too we expect to see no party polarization, in the absence of pressures for or against redistribution from the core constituencies of the left and the right.

According to our data, wage inequality in Belgium dropped sharply in the first half of the 1990s. Although this drop may be due to a series break in the data, it seems safe to assume that wage inequality did not increase in Belgium over the 1980s and 1990s. On this assumption, Belgium is a case of stable or falling wage inequality and rising household inequality. Given that Belgium is also a case of high mobilization, constraining right parties' response to household income inequality, our model suggests that we should observe no party polarization in Belgium. With respect to inequality, the Netherlands represents the mirror image of Belgium: rising wage inequality combined with falling household income inequality. If low-income groups are politically mobilized to the same extent as they are in Belgium, we would expect this scenario to generate left-skewed polarization. However, the Netherlands is unambiguously a case of low mobilization, which reduces the left's responsiveness to wage inequality. Thus, our model predicts no polarization in the Netherlands as well.

Of the twelve countries included in our analysis, France, Denmark, and Belgium are the only cases in which we observe depolarization without the center of political gravity shifting to the right over the 1980s and 1990s. This observation represents, we think, a striking confirmation of core elements of our theoretical framework. On the other hand, the Dutch case clearly does not conform to our expectations. The fact that the Dutch Labor Party moved sharply to the right despite rising wage inequality can partly be explained by falling mobilization of low-income groups, but the rightist shift of the Dutch Christian Democrats in the absence of rising household income inequality cannot be explained within our theoretical framework.

It should again be noted that the effects of wage and household income inequality identified by our regression analysis depend critically on controlling for the center of gravity and that this variable (the position of the median voter) is associated with right-skewed convergence. Because of more conservative median voters, left parties have moved to the right more than right parties. Clearly, inequality trends, alone or in conjunc-

tion with low-income mobilization, do not provide a complete account of the dynamics of party politics in industrialized democracies. Nonetheless, the preceding discussion indicates that the framework proposed in this chapter not only generates accurate predictions about cross-national differences but also yields insights that are useful for understanding the trajectories of party politics in many countries.

Conclusions

The main message of this chapter is that different forms of inequality have different consequences for partisan politics. The conclusions from our analysis can be summarized briefly. First, wage inequality tends to be associated with left-skewed polarization, and household income inequality tends to be associated with right-skewed polarization. Second, the former association holds at medium and high levels of mobilization of low-income groups, while the latter holds at low and medium levels of mobilization. Our explanation of the differential effects of wage inequality and household inequality rests on two basic claims. First, the core constituencies of left parties care primarily about wage inequality and do not necessarily become more supportive of redistribution as household income inequality rises. The effect of wage inequality on left parties, however, is present only when low-income mobilization is high. Second, the core constituencies of right parties care primarily about household income inequality, but high levels of low-income mobilization make right parties less likely to respond to inequality in accordance with the preferences of their core constituencies (that is, opposing redistribution as inequality rises).

In concluding, let us again stress that between-country differences drive a large part of our empirical results. In future research, we plan to explore inequality as a determinant of change over time (within countries) in a more focused and systematic manner. Empirically, this requires longer time series. Theoretically, such an analysis would seem to call for several modifications of the model that we have proposed. In particular, we believe that it becomes essential to take into account cross-national differences in perceptions of legitimate income differentials (Svallfors 2006). There are good reasons to believe that a given increase in the amount of inequality will have different effects in a more egalitarian country, like Sweden, than in the United States.

As noted earlier, the Meltzer-Richard model and the literature it has inspired conceive the politics of redistribution in terms of individual voters calculating the costs and benefits of redistribution. From this perspective, we would not expect to find that different forms of inequality have different political effects. The fact that we do find differential effects of

wage inequality and household inequality suggests that voters and other political actors (party activists, trade unionists, and so on) care about relative income. At the same time, it seems clear that voters operate with only limited, sometimes very distorted, information about what the distribution of income looks like and where they themselves fall in the distribution of income. This represents another important topic for future research, based on survey data. From a comparative perspective, the obvious question is whether the salience of different forms of inequality varies across countries—or, in other words, across different macro-institutional configurations. For instance, it seems plausible to suppose that wage inequality matters more in countries with encompassing unions and more institutionalized, economywide wage bargaining.

We conclude by pointing out that while our chapter aims to bring one of the classical themes in politics (the relationship between inequality and democratic representation) back to current debates in comparative political economy, it is possible to look at our findings with a certain sense of pessimism. Most OECD countries have experienced significant declines in both voter turnout and union density since the early 1970s. Our argument implies that increasing levels of inequality are bound to affect left parties less and less, while they are bound to make right parties more and more opposed to redistribution. In this sense, low-income workers seem to be caught in a vicious circle. Increasing inequality makes their preferences for redistribution stronger, but decreasing mobilization makes their demands less relevant to left parties, which in turn makes these parties less redistributive when they get to power and so inequality continues to grow. Decreasing mobilization, moreover, makes right parties more likely to respond to inequality in accordance with the preferences of their core constituencies (that is, by opposing redistribution as inequality rises). This again makes these parties less redistributive when they get to power and so inequality grows even more.

A more optimistic interpretation is possible. Although we treat it as such in the previous analysis, working class mobilization is not entirely exogenous to the behavior of left parties. It is up to left politicians, after all, to dedicate resources to increasing the political participation of low-income voters. As argued by Anderson and Beramendi (this volume), voter turnout should be understood as the product of people's incentives to vote *as well as* parties' incentives to mobilize specific groups of voters. Although the effectiveness of efforts by left parties to mobilize low-income workers is far from automatic, increasing political participation surely is a way to escape the vicious circle described here. It is therefore in the hands of left parties, at least partly, to promote the participation of those most vulnerable to increases in inequality and, in the process, to make politics more responsive to their demands.

Appendix

Data Sources and Specifications

Party positions: Data from Klingemann et al. (2006); see text for explanation.

Wage inequality: 90/10 wage ratios from OECD (2004), supplemented by data from OECD (1999) for Belgium and Norway.

Household income inequality: Gini coefficients for disposable household income available at LIS, "Income Inequality Measures," accessed April 15, 2007 at http://www.lisproject.org/keyfigures/ineqtable.htm.

Low-income mobilization: Sum of standardized scores for voter turnout and net union density (union members as a percentage of the employed labor force). Turnout data from Armingeon et al. (2004), supplemented by internet sources for 2003. Union density data from Bernhard Ebbinghaus and Jelle Visser (2000) except for Australia, Japan, the United Kingdom, and the United States: pre-1990 figures for these countries from Visser (1996) and post-1990 figures provided by Ebbinghaus. The following observations were extrapolated: all countries for 2001, Switzerland for 2002 and 2003, Sweden for 2002, Finland for 2002 and 2003, the Netherlands for 2002 and 2003, France for 2002, and Germany for 2002.

Median position: Transformed Kim-Fording measure (see text for explanation), based on data downloaded from HeeMin Kim's home page, accessed April 15, 2007 at http://garnet.acns.fsu.edu/%7Ehkim/.

Effective number of parties: Based on a measure developed by Marku Laakso and Rein Taagepera (1979); data from Klaus Armingeon et al. (2004); updated for 2003 based on CMP data in Hans-Dieter Klingemann et al. (2006).

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Table 10A.1 Summary Statistics

Variable	Mean	Standard Deviation	Minimum	Maximum
Main left position	−11.507	15.698	−48.5	29.26
Main right position	17.593	17.065	−10.55	59.8
Wage inequality (90/10 ratio)	2.796	.635	1.96	4.592
Household inequality (Gini coefficient)	.271	.042	.197	.370
Low-income mobilization	0	1.689	−3.697	2.413
Median position	−2.6836	20.51432	−47.04074	41.77728
Effective number of parties	4.333	1.760	2.020	9.776

Source: party positions: Klingemann et al. (2006); wage inequality: OECD (1999, 2004); household inequality: Luxembourg Income Study (LIS), "Income Inequality Measures," accessed April 15, 2007 at http://www.lisproject.org/keyfigures/ineqtable.htm; low-income mobilization: sum of standardized scores for voter turnout and net union density (union members as a percentage of the employed labor force); turnout data from Armingeon et al. (2004), supplemented by internet sources for 2003; union density data from Bernhard Ebbinghaus and Jelle Visser (2000) except for Australia, Japan, the United Kingdom, and the United States: pre-1990 figures for these countries from Visser (1996) and post-1990 figures provided by Ebbinghaus; the following observations were extrapolated: all countries for 2001, Switzerland for 2002 and 2003, Sweden for 2002, Finland for 2002 and 2003, the Netherlands for 2002 and 2003, France for 2002, and Germany for 2002; median position: transformed Kim-Fording measure, based on data downloaded from HeeMin Kim's home page, accessed April 15, 2007 at http://www.garnet.acns.fsu.edu%7Ehkim/; effective number of parties: based on a measure developed by Laakso and Taagepera (1979); data from Armingeon et al. (2004); updated for 2003 based on CMP data in Klingemann et al. (2006).

Notes

1. As we explain later, data availability determined the countries included in our analysis. The twelve countries included are Australia, Belgium, Britain, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Sweden, and the United States. Altogether, our analysis encompasses sixty-eight election-years over the period 1974 to 2003.
2. In this respect, our main claim to novelty is that we apply partisan theory to the question of how income distribution affects politics. Most existing alternatives to the Meltzer-Richard model (for example, Iversen and Soskice 2001; Moene and Wallerstein 2001) share—or at least do not challenge—the assumption that the median voter determines government policy. The notable exception represented by Woojin Lee and John Roemer (2005) informs our own discussion.
3. See the appendix for a list of our data sources and tables 10.1, 10.2, 10.3, and 10A.1 for summary statistics.
4. Another reason for measuring household inequality in terms of disposable income is that it enables us to include Belgium, France, and Italy in our

analysis. The LIS database does not allow for the calculation of household market income for these countries. Note also that the measure of household income inequality used here adjusts for household size based on the conventional LIS formula.

5. There is a good deal of evidence to suggest that perceptions of "legitimate income differentials" vary across countries (see Svallfors 2006, ch. 4). We plan to explore the relevance of such perceptions in future work.
6. In the new OECD data set, Belgium and Norway stand out as the two countries with the most compressed distribution of wages in the late 1990s and early 2000s (90/10 ratios of 1.96 and 2.00, respectively, in 2000). In earlier OECD data sets, Norway had the lowest 90/10 ratio (1.99) and Belgium the third-lowest (2.24), with Sweden in second place, in 1993. In our view, the two data sets are sufficiently in agreement to justify using the old measures for these two countries. The same does not hold for Canada.
7. See David Armstrong and Ryan Bakker (2006) for a review of alternative methods for extracting a left-right dimension from CMP data. As the authors pointed out, the measures generated by these techniques are highly correlated with the conventional CMP left-right index.
8. For left parties, the coding scheme presented in table 10.2 is unproblematic, because the same party won the largest share of left votes in every election included in our data set. For most countries, the coding of main right parties is also straightforward, but the Italian case is problematic, since Forza Italia displaced the Christian Democrats as the main party of the right in the election of 1994. Recoding "main right" for Italy in 1994 and 1996 does not significantly alter the findings reported here. Note also that the left-right scores for Belgian socialists and Christian Democrats used here are the average for Flemish and French-speaking parties.
9. The time series are of different duration for each country. For some countries in our sample, the last available election falls as early as 1996 (this is the case with Italy), while for a few others we have data after 2000. The composition of the cross-country mean should be kept in mind when looking at the observations after 1996, since they may reflect the countries included in the measure rather than a general pattern.
10. For non-election years, our source on voter turnout (Armingeon et al. 2004) records the turnout figure for the previous election.
11. As was the case with party data, the time series are of different duration for each country. See note 9 for details.
12. These include the interaction between inequality and mobilization in some regressions.
13. An alternative would be to estimate models with fixed effects, but our need to include (almost) time-invariant explanatory variables in the analysis, like the effective number of parties, makes this impossible. For details on estimating random effects with panel data, see Cheng Hsiao (1986).
14. Needless to say, perhaps, the size of the coefficients for wage inequality and

household inequality should not be compared with each other, since the metrics for these variables are very different (see table 10A.1).

15. This is from a LIS survey conducted in 1991.
16. This is the average from LIS surveys conducted in 1997 and 2000.
17. We are rounding the value for Britain in 1979 to 0.
18. The Swedish Social Democrats moved from –23.9 on the left-right scale in 1988 to –3.52 in 1998. It should be noted that the CMP data set reports a position of (+) 23.79 for 1994. This is surely a measurement error, but the 1994 observation is nonetheless included in our regression analysis, and it is undoubtedly an outlier that works against us.

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