

The Politics of Helping the Poor

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What is most effective at increasing the absolute incomes of the poor in the world's affluent countries: economic growth or redistribution?

Growth clearly matters. The standard of living of low-end households in rich nations is substantially higher than a century ago, and much of that improvement is due to economic growth. Indeed, over the long run the material circumstances of the poor necessarily depend more on economic growth than on redistribution. If the pie does not increase in size, a country could redistribute until everyone has an equal slice but then no further improvements would be possible.

In the short- and medium-term, redistribution can help a great deal. Even in the United States, with its comparatively stingy welfare state, government transfers account for nearly half of the income of households in the bottom decile of the distribution. Public provision and subsidization of services — health care, education, child care, housing, transportation, retraining, job placement, and others — also helps. Services boost living standards directly, and they allow the poor to spend scarce income on other things that contribute to material well-being.

In countries where low-end incomes have increased significantly in recent decades, is that due mainly to growth, to redistribution, or to both in equal measure? Surprisingly, social scientists have made virtually no attempt to answer this question. Researchers studying the impact of growth and redistribution in rich countries have focused their attention almost exclusively on a distributional notion of poverty — relative poverty — rather than on absolute incomes.

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My analysis is macrocomparative. I focus on changes over time within nations. The countries are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Spain, Sweden, Switzerland, the United Kingdom, and the United States. The time period is 1980 to 2005.

Over this period, improvements in low-end absolute incomes were driven chiefly by increases in GDP per capita rather than by increases in the share of GDP going to government social expenditures. Economic growth did not, however, always and everywhere translated into income growth for the poor. Some rich nations — Australia, Austria, Canada, Germany, Italy, Switzerland, the United Kingdom (1980-95), and the United States (1980-95 and 2000-05) — experienced lengthy periods of economic growth with little or no rise in the incomes of low-end households. Most of these countries feature comparatively low redistributive generosity. When growth has trickled down to the poor, government transfers have been the principal conduit. High-redistribution countries have been more likely than low-redistribution countries to keep transfers in line with GDP. As a result, economic growth has been more likely to produce income growth for the poor in high-redistribution nations.

The experiences of the rich countries in recent decades suggest, then, that economic growth is key to rising incomes at the low end of the distribution, but so government transfers are no less important. For low-redistribution nations such as the United States, this poses a significant challenge. In an age of growing economic and fiscal pressures, how can policy makers in such countries get the middle class and the rich on board with a project of expanded social policy generosity? Do they need to?

Economic Growth, Redistribution, and Low-End Incomes

I measure low-end incomes using posttransfer-posttax household income at the tenth percentile of the income distribution, with adjustment for household size, over-time adjustment for inflation, and conversion to U.S. dollars using purchasing power parities (PPPs). The data are from the Luxembourg Income Study (LIS 2010).

For average income I use per capita gross domestic product (GDP). These data are from the Organization for Economic Cooperation and Development (OECD 2010). They too are adjusted for inflation and converted using PPPs. So that my measures of average income and redistribution (see below) are in the same metric and are easily interpretable, I convert the GDP per capita data from U.S. dollars to a scale ranging from zero (lowest) to one (highest).

My measure of redistribution is government social expenditures as a share of GDP. This is the most frequently-used indicator of social policy generosity in comparative studies. The data include public spending in nine areas of social policy: old age, survivors, incapacity-related benefits, health, family, active labor market programs, unemployment, housing, and "other." The chief drawback of this measure is that it combines intended generosity with need. It yields larger values when program generosity is high, which is what I want; but it also yields larger values when more citizens are elderly, unemployed, ill, and so on, which I do not want. I therefore adjust for two major determinants of need: the share of the population age 65 and over and the unemployment rate. The government social expenditures data are available from the OECD (2010) at five-year intervals from 1980 to 2005. For these six years, I regress government social expenditures as a share of GDP on the elderly population share and unemployment. I take the residuals from this regression — the raw values for government social expenditures minus the predicted values from the regression — and rescale them to range from zero to one. (In all countries some government transfers and services go to those in the middle and even the upper part of the income distribution. My measure is therefore one of social policy generosity rather than redistribution per se.)

For the period 1980 to 2005 I have 82 observations for low-end (tenth-percentile) household incomes. They are spaced at approximately five-year intervals: 1980, 1985, 1990, 1995, 2000, and 2005. Each of the seventeen countries has at least three observations, and some have six. I estimate a pooled regression of low-end incomes on average income (GDP per capita), redistribution (adjusted government social expenditures), and a set of controls, with country dummy variables included in order to focus on the within-country over-time variation.

Each of the independent variables is measured as an average over the contemporaneous year and the preceding five years; for the tenth-percentile income level in 2005, for example, the predictors are averages over the years 2000 to 2005. Because the average income and redistribution measures each range from zero to one, the regression coefficients for these two variables can be compared to gauge the relative magnitude of their impact.

I control for education, unemployment, wage-bargaining coverage, imports, and employment in agriculture. Data definitions and sources are listed in the appendix. Each may influence incomes among the poor independent of economic growth or redistribution. In countries with better-educated adults, lower unemployment rates, a larger share of employees covered by collectively-bargained wages, fewer imports, and less employment in agriculture, the wages and hence household incomes of those at the low end of the income distribution are likely to be higher. Education may also help by boosting employment in low-end households, while imports may hurt by reducing employment. I considered but elected not to include several additional controls: employment in manufacturing, single-

parent households, and elderly households. None of these had the expected sign in the regressions, and they did not noticeably alter the findings for the two variables of interest.

I do not have strong theoretical grounds for prioritizing a particular model specification, so I want to assess the robustness of the findings for average income and redistribution. I therefore examine the coefficients for the average income and redistribution variables from an assortment of regressions (100 in total) that include different combinations of controls, countries, and years. A regression with no controls and all seventeen countries yields a coefficient of 5,059 for the average income variable and a coefficient of 900 for the redistribution variable. The median coefficient from the regressions is 4,364 for average income and 788 for redistribution. The former suggests that growth in average incomes has tended to boost low-end incomes in these countries over the past several decades. A coefficient of 4,364 implies that moving from the low end to the high end on average income (from zero to one) would raise household income at the tenth percentile by more than two standard deviations. In contrast, the redistribution coefficients suggest that the impact of increases in social expenditures as a share of GDP have been small or nil.

Figure 1 shows the bivariate over-time patterns. It contains two scatterplots for each country. The vertical axis of each scatterplot has tenth-percentile income levels. On the horizontal axis, the first graph for each country has average income and the second has redistribution. The data points are years.

Average income is positively associated with the tenth-percentile household income level over time in nearly all of the countries. In some the association is weak, while in others it is quite strong.

For redistribution the scatterplots in figure 1 suggest a mixed story. In some nations we see a positive over-time association. But in many countries the slope is flat. This is due in part to the fact that in some of these countries there has been little change in government social expenditures as a share of GDP since the 1970s (Hicks 1999; Huber and Stephens 2001; Pierson 2001; Castles 2004). In a few countries the slope is negative. In two of those nations, Ireland and Spain, the negative over-time association is a product of rapid economic growth. GDP is the denominator for my redistribution measure (adjusted government social expenditures as a share of GDP); when it increases especially rapidly, this measure of redistribution is almost certain to decrease. The Netherlands too has a negative over-time association. Here redistribution truly did decrease, but that was a result of a sharp rise in employment, which helped both to boost low-end incomes and to permit a reduction in government expenditures on benefits (Visser and Hemerijck 1997).

As just noted, in some countries — Australia, Austria, Canada, Germany, Italy, Switzerland, the United Kingdom (aside from 1995-2005), and the United States (aside from 1995-2000) — tenth-percentile household incomes increased

only minimally or not at all despite rising per capita GDP. All but one of these countries is comparatively low in redistributive generosity. Does the impact of economic growth on low-end incomes vary depending on a nation's redistributive effort?

This can be tested by splitting the countries into two groups according to their scores on the social policy generosity measure. The high-redistribution group includes Austria, Belgium, Denmark, Finland, France, Ireland, the Netherlands, Norway, and Sweden. The low-redistribution group consists of Australia, Canada, Germany, Spain, Switzerland, the United Kingdom, and the United States.

A regression focused on over-time patterns with all of the control variables and all seventeen countries yields a coefficient of 5,059 for average income. When I replicate this regression for only the high-redistribution countries, the coefficient for average income is 6,732. With only the low-redistribution nations, the coefficient is negative, though small (and not statistically significant), at -1,255. This sharp difference in coefficients suggests that greater redistributive generosity does indeed tend to boost the effect of economic growth on low-end household incomes.

Ireland is a questionable member of the high-redistribution group. But omitting Ireland has virtually no effect on the coefficient for GDP per capita. Germany, which is in the low-redistribution group, also is a question mark, both because it is usually considered to have among the more generous redistributive systems and because unification may have contributed to its slow tenth-percentile income growth. But removing Germany produces an even smaller coefficient for average income for the low-redistribution group.

An alternative way to see this conditional effect is to regress the country over-time slopes of low-end incomes on GDP per capita (shown in the first chart for each country in figure 1) on redistribution averaged over the period 1980 to 2005. This regression yields a coefficient of 5,327. Moving from the low end on redistributive generosity (zero) to the high end (one) is estimated to increase by approximately \$5,000 the rise in low-end household incomes resulting from a rise in GDP per capita. In short, economic growth has trickled down to a much greater extent in high-redistribution countries.

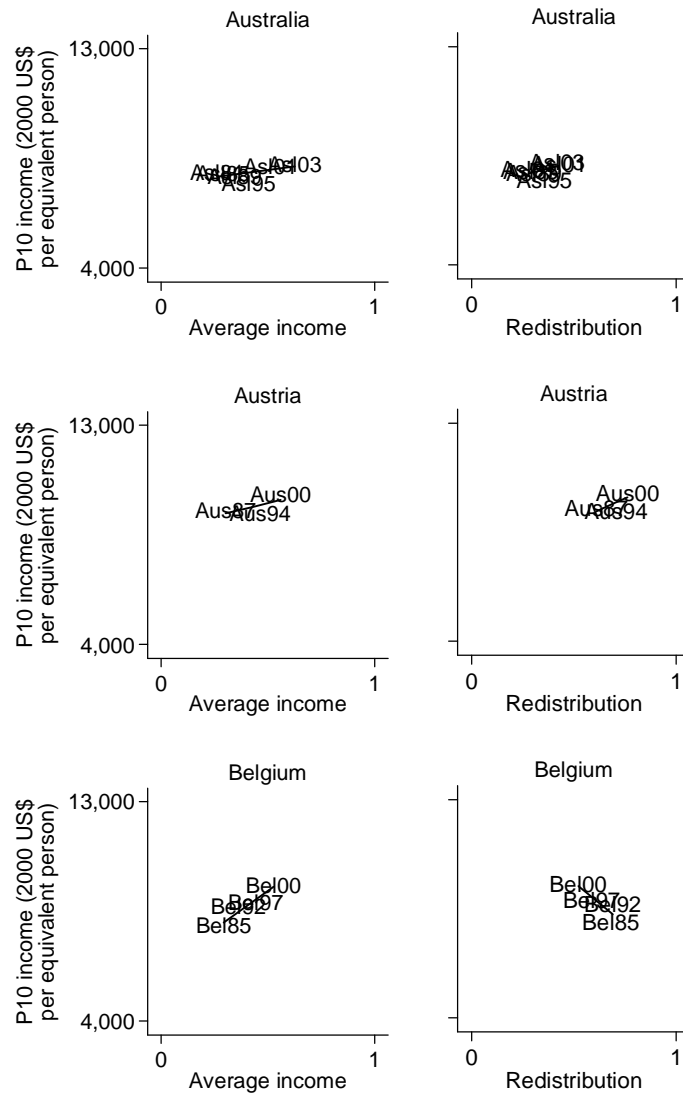


Figure 1. Low-end incomes by average income and by redistribution, over time within countries

Note: Average income = GDP per capita. Redistribution = adjusted government social expenditures as a share of GDP. Both are rescaled to vary from 0 to 1. Both are measured as averages over $t-5$ to t . Source: Kenworthy (2011), using data from the Luxembourg Income Study and the OECD.

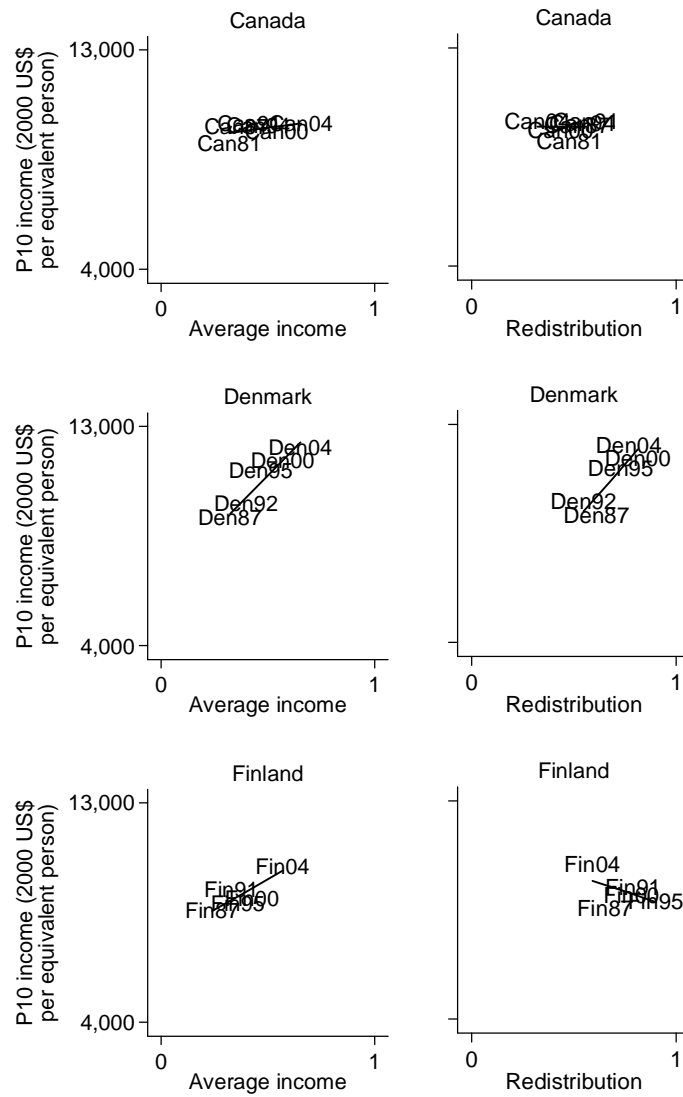


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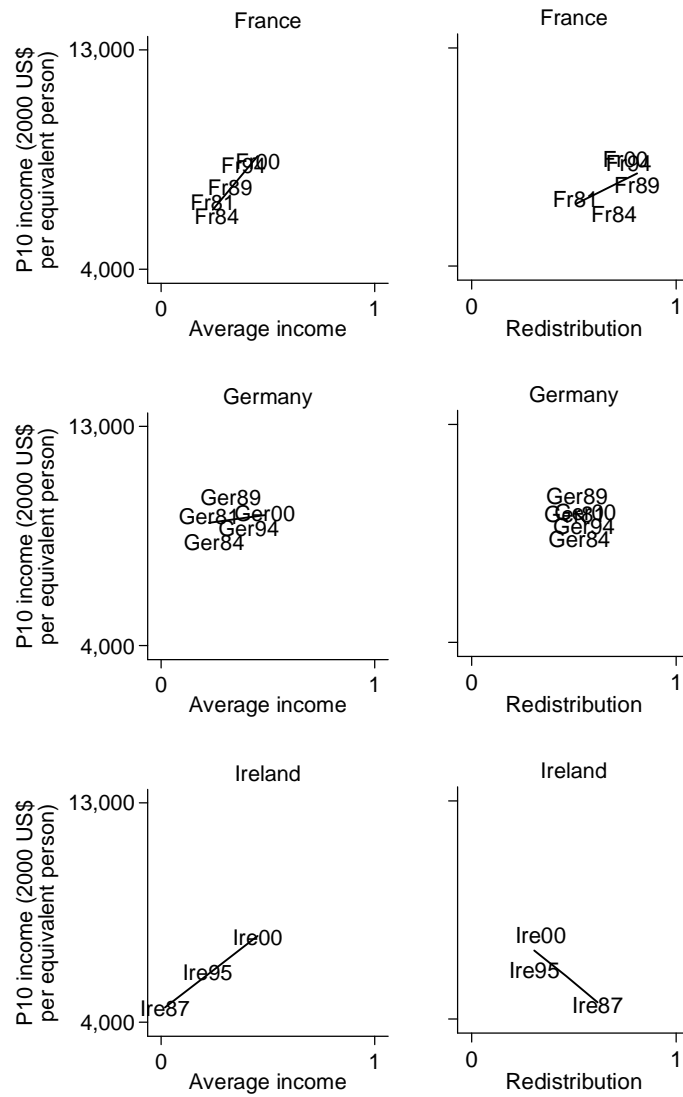


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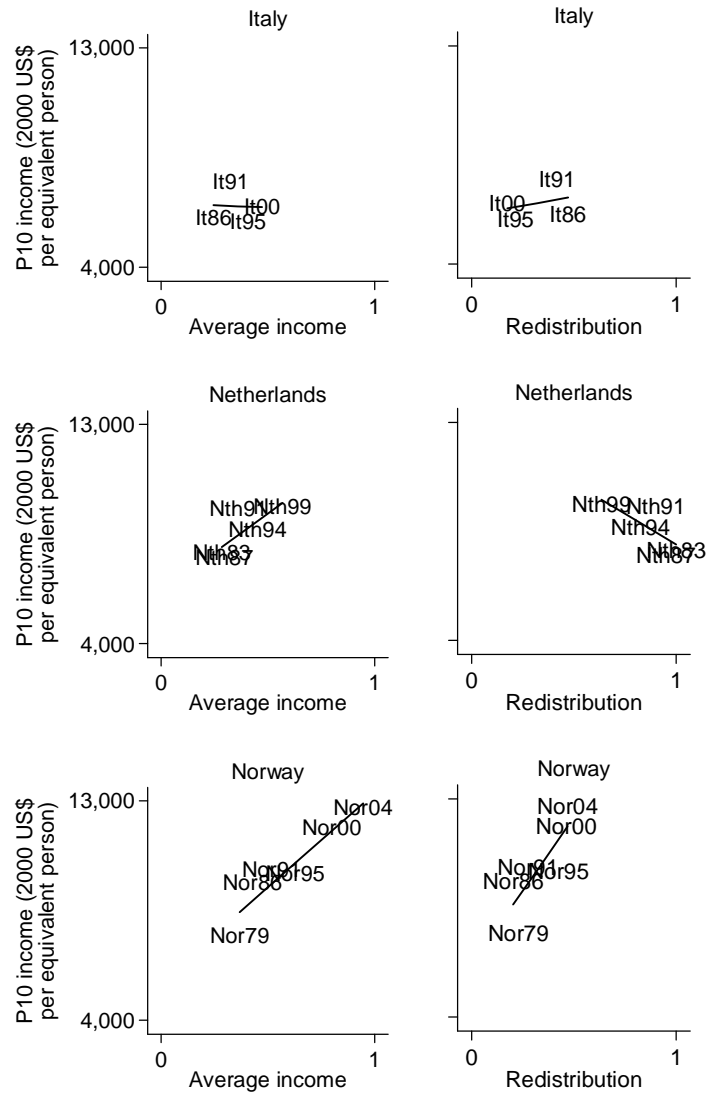


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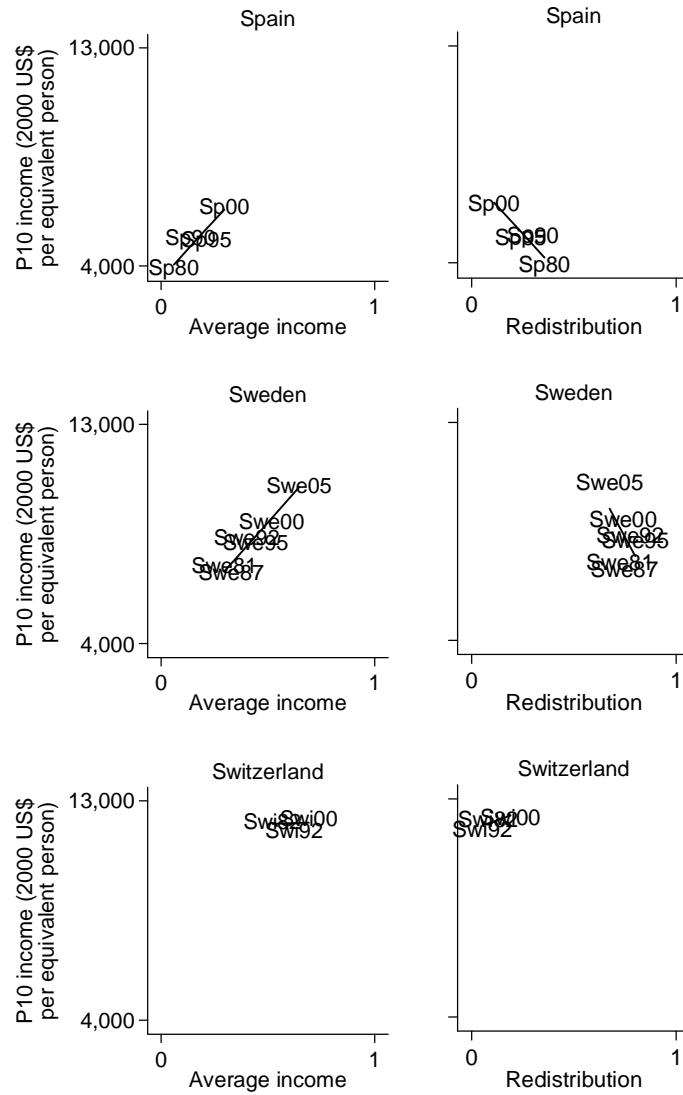


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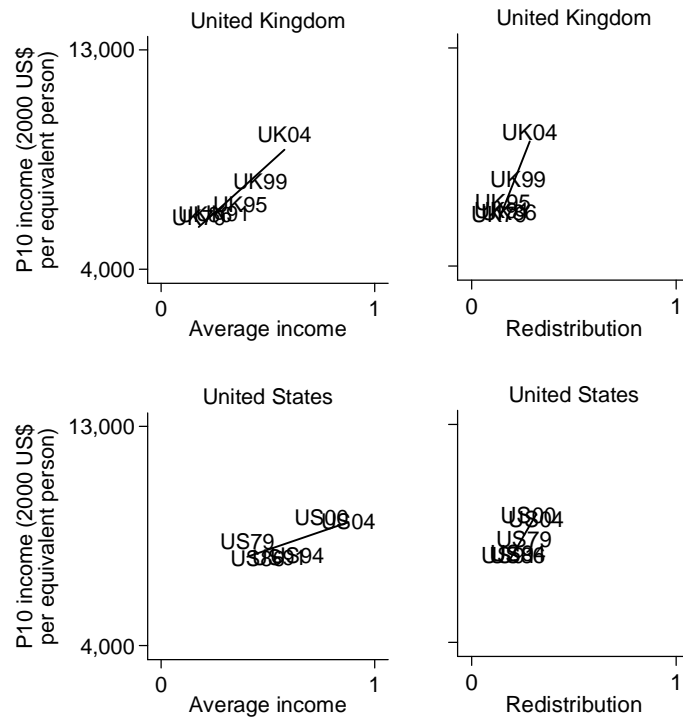


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What is the causal mechanism? Transfers is likely to be the chief one. In most rich countries 20-35% of all households have no earnings, and some of these are in the bottom decile of the income distribution. As of the early-to-middle 2000s, the share of bottom-income-decile households with zero earnings was 40% in Finland and Norway, 55% in France and the Netherlands, 60% in Denmark and Sweden, 75% in Ireland, and 80% in Belgium (my calculations from LIS data). Some of these are elderly households with savings and pensions as the main source of income. Others are households with working-age adults whose chief income source is government benefits such as social assistance or unemployment, sickness, or disability compensation. For these households with no earnings, economic growth trickles down solely via government transfers. Transfers are therefore critical to poverty alleviation (Blank 1997; Kenworthy 1999; Marx and Verbist 2008).

How does trickle-down-via-transfers occur? Economic growth allows policy makers to boost benefit levels for transfer programs. The incomes of benefit recipients increase. But government social expenditures as a share of GDP may remain constant, so this does not show up as an increase in the measure of redistributive generosity I use here.

I use the LIS database to calculate average levels of the three main sources of income — earnings, other (non-earnings) market income, and net government transfers (transfers received minus taxes paid) — among households in the bottom decile of the posttransfer-posttax income distribution. Figure 2 shows the over-time patterns in nine representative nations: five high-redistribution ones and four low-redistribution ones. In all nine countries earnings contribute less to the incomes of low-end household than do transfers. (Other market income is even less important.) And average earnings among low-end households increased little, if at all, over time. It is transfers that tended to drive changes in low-end incomes.

In the five high-redistribution countries — Denmark, Sweden, Finland, the Netherlands, and Norway — transfers received by low-end households increased significantly between 1980 and 2005. Average earnings were flat in Denmark, while in Sweden and Finland they declined sharply during the deep recession of the early 1990s. In each of these countries the rise in transfers was large enough to more than compensate for the stagnation or decline in earnings. In the Netherlands and Norway earnings rose in the late 1990s and/or early 2000s, but in Norway the rise in transfers was the principal source of increase in disposable incomes and in the Netherlands both transfers contributed about equally with earnings.

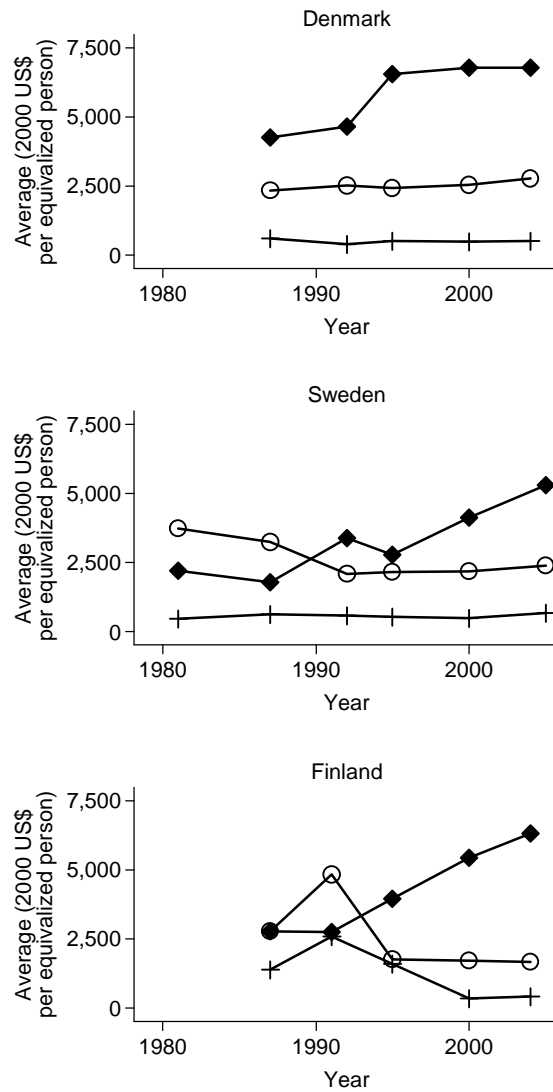


Figure 2. Average earnings, other market income, and net government transfers in bottom-income-decile households

Note: ○ earnings; + other market income; ◆ net government transfers. The data are averages for size-adjusted income among households in the bottom decile (d1) of the posttransfer-posttax income distribution. Source: Kenworthy (2011), using data from the Luxembourg Income Study.

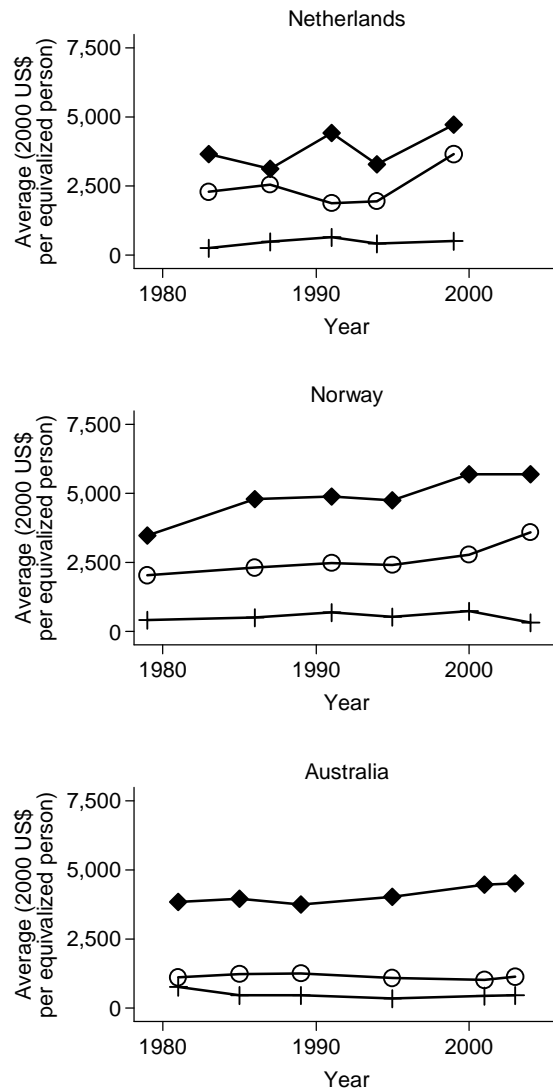


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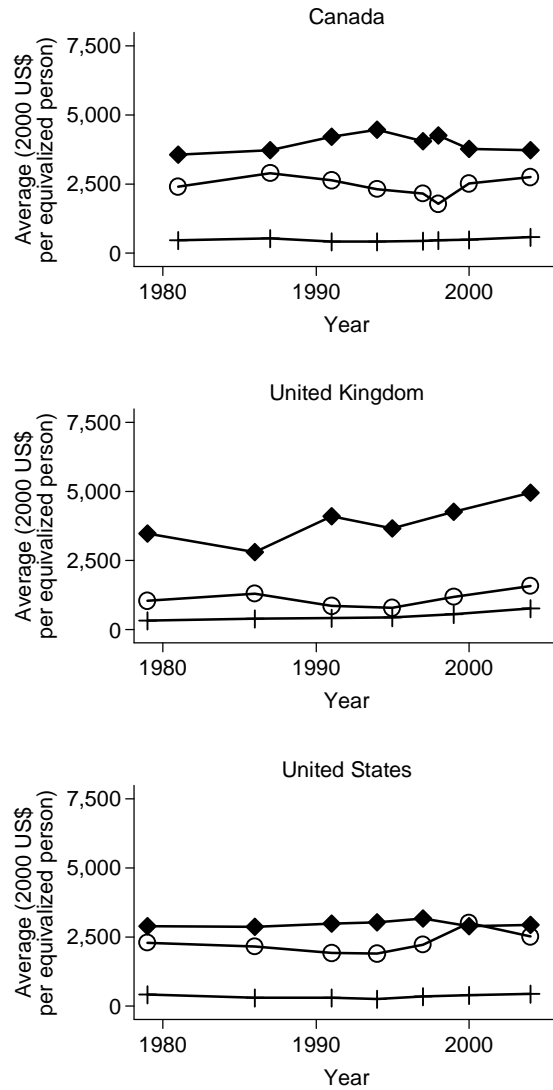


Figure 2. continued

In Australia and Canada, two of the low-redistribution countries, earnings among bottom-decile households were flat throughout the period. So too were transfers received by these households. As a result, economic growth produced very little change in low-end household incomes (Picot, Morissette, and Myles 2003).

In the United Kingdom, the period from 1979 to 1995 saw no change in transfers (though there was fluctuation) and a slight drop in earnings. As in Australia and Canada, this yielded no improvement in the incomes of bottom-decile households. From 1995 to 2005 the story was different. Earnings increased slightly, but more importantly there was a large rise in net transfers to low-end households. As the first chart for the U.K. in figure 1 (above) indicates, the result was a noteworthy increase in low-end household incomes during that decade.

In the United States, economic growth produced virtually no improvement in low-end household incomes between 1980 and 1995 and between 2000 and 2005. In those years earnings and transfers were mainly flat, with earnings declining slightly but transfers increasing slightly. The only period in which growth successfully trickled down was in the late 1990s. In that brief period increases in employment and in wage levels at the bottom of the distribution produced a rise in earnings among bottom-decile households, and transfers stayed constant, with an increase in the Earned Income Tax Credit (EITC) offsetting reductions in social assistance (TANF) payments.

In sum, since the 1970s economic growth has boosted the incomes of low-end households chiefly via increases in government transfers, and trickle-down via transfers has occurred to a greater extent in countries with more generous social programs. Those nations have tended to pass on a larger portion of increases in the social pie to the poor.

How to Get from Here to There

If advances in real incomes at the low end of the distribution hinge on government programs that pass on the fruits of economic growth, how do low-redistribution countries get from here to there? Rather than attempt a general prescription, I'm going to focus on the United States. The U.S. is by far the largest of these nations; it holds one third of the total population of the twenty rich countries that most commonly are the focus of comparative analyses. It also is, arguably, the nation that has the longest road to travel. Its poor are not the worst off in an absolute sense, but they fare far less well than they ought to given America's wealth.

Social scientists — mainly political scientists and sociologists, though recently also economists — have been studying the determinants of social policy

for roughly four decades (Castles et al. 2010). One key factor is the strength of organized labor and affiliated left political parties. Important too are the structure of the political system, including whether the electoral system is proportional representation or majoritarian, the number and type of veto points, and form of discussion and negotiation among policy makers, interest group representatives, and experts. Also relevant are economic and demographic pressures and constraints stemming from countries' degree of integration in the global economy, the unemployment rate, declines in manufacturing and agricultural employment, the age structure of the population, and the immigrant share.

This research aims to account for differences in social policy generosity across countries and/or over time. It tells us that a country with a weak labor movement or a majoritarian electoral system or a large number of veto points is less likely than countries with different institutions to have a generous welfare state. A nation with all three of these features, such as the United States, is especially unlikely to do so.

But tendencies are just that. To my knowledge, no influential study of social policy generosity has identified any necessary conditions either for the overall policy configuration or for particular programs in affluent countries. The world of social policy is not a deterministic one. Structures and institutions constrain, but they do not dictate outcomes.

Over the past half century center-right christian democratic parties have been nearly as important as social democratic ones in promoting generous social programs (Hicks 1999; Huber and Stephens 2001). Government support for child care and early education in continental Belgium and France rivals that in social-democratic Denmark, Norway, and Sweden (Gornick and Meyers 2003). Employment-conditional earnings subsidies have been implemented and expanded in widely diverse institutional settings and by governments at all ends of the partisan spectrum (Immervoll and Pearson 2009). By the same token, in recent decades we observe a number of significant reductions in the generosity of particular transfers or services under social democratic or other left governments: New Zealand and the Netherlands in the 1980s; Denmark, Sweden, and Canada in the 1990s; Germany in the early 2000s.

Given its political institutions — a privatized system of campaign financing, a federal government structure, extensive separation of powers within the federal government, a bicameral parliament, the filibuster practice in the Senate, the lack of a truly left political party, among others — it is not surprising that the United States is a laggard in social policy generosity among the rich countries. Yet it was not foreordained that the U.S. would institute public health insurance for its elderly and poor in the 1960s and enhance them in subsequent decades, expand its social assistance programs in the 1960s (AFDC) and mid-1970s (food stamps), create an employment-conditional earnings subsidy in the 1970s (the EITC) and expand it in subsequent years, implement severe time limits on receipt

of a key social assistance benefit (TANF) in the 1990s, or fail to adopt government support for near-universal health care coverage in the 1970s and 1990s but then pass it in 2010. The possibilities for American social policy surely are not endless. As one observer has put it, "the institutional constraints on legislation ... make enactment of sweeping legislation nightmarishly difficult" (Cohn 2010: 25). But prospects are not as limited as a focus on America's political structure might lead us to presume.

In recent years, a number of analysts of the determinants of social policy have turned their attention to public opinion. In a democratic polity, policies should reflect the will of (a majority of) the citizenry. Do Americans want social programs that more effectively boost the incomes and material well-being of the poor? Several theories suggest they should.

The postmaterialist thesis, associated most closely with Ronald Inglehart (1977; Inglehart and Abramson 1994), suggests that as societies grow more affluent citizens' preferences become increasingly disconnected from basic material needs. Among other things, they attach stronger priority to social justice and fairness. This should produce growing support for generous social programs. If we compare across rich and not-so-rich countries, the evidence is broadly consistent with this hypothesis: in cross-nationally comparable public opinion surveys such as the International Social Survey Program (ISSP) or the World Values Survey, the citizens in countries with higher per capita GDP tend to express greater support for programs that help the poor. But if we confine the comparison to the rich countries, the association between national wealth and public enthusiasm for a generous welfare state weakens considerably or disappears altogether. Moreover, if we look over time within the United States — at least in recent decades, which is the only period for which continuous time series exist — we do not observe growing support for social policy generosity (McCall and Kenworthy 2009; Kenworthy 2010).

A related view, offered by Benjamin Friedman (2005), holds that generous attitudes are fostered by living standard *improvements*, rather than high levels. Being affluent is not enough, in other words; what is critical is that people feel they are moving ahead. Here too the U.S. experience is disappointing. Over the past several decades the GDP per capita has increased. So too has the median income, though its growth has been far smaller than that of the economy as a whole. But as just noted, we observe no increase in attitudes favoring strong efforts to help the poor.

The "median-voter" approach (Meltzer and Richard 1981) offers another optimistic hypothesis about public opinion and social policy generosity in countries such as the United States. It contends that people's preference for redistribution is a straightforward function of their material interest in it. When market income inequality increases, the median voter becomes more likely to benefit from redistribution, since the difference between her tax payments and the bene-

fits received tilts in favor of the latter. The United States has experienced a sharp increase in market inequality over the past generation, so this suggests a likely rise in public sentiment in favor of enhanced social policy generosity. Here too, however, a seemingly plausible theory does not fare well empirically. Public opinion surveys in the United States suggest that Americans recognize that income inequality has increased, but they do not indicate a consequent increase in support for redistributive efforts (McCall and Kenworthy 2009). Nor does the theory seem to work in other countries for which over-time data are available (Kenworthy and McCall 2008).

So what *do* Americans want? A generation of public opinion research, using both standard survey findings and more in-depth qualitative investigation, suggests the following (Hochschild 1981; Kluegel and Smith 1986; Gilens 1999; McCall and Kenworthy 2009; Page and Jacobs 2009; Kenworthy 2010; McCall 2011). Most Americans support capitalism and business. Many believe hard work, rather than luck or help from others, is the key to success. Many feel they have opportunity to get ahead. Many believe income inequality is too high and that high inequality is not necessary for the country's prosperity. At a general level, many are skeptical about government's ability to help. There is only mixed support for enhanced redistribution as a remedy for high inequality. Yet Americans do support increased government spending on programs perceived to enhance opportunity and economic security.

A nontrivial share Americans also favor increased government spending to help the poor (Page and Jacobs 2009; Kenworthy 2010). Since the mid-1980s, 60-70% of those surveyed have said they agree "it is government's responsibility to take care of people who can't take care of themselves," and the same proportion have said government is "spending too little money on assistance to the poor." When asked if the government "should help more needy people even if it means going deeper into debt," 50% have tended to say yes.

In other words, Americans are potentially receptive to a more generous set of social programs, but their demand for it is far from overwhelming. The recent debate over legislation to reform the country's health insurance system is instructive. Public opinion polls show a steady rise in recent decades in the share of Americans saying the government is spending too little on the improving and protecting the nation's health, with the share reaching 75% by 2008 (Kenworthy 2010). Yet during the lengthy legislative debate on health-care reform, polls suggested lukewarm support at best for the type of bill that was finally passed (Cohn 2010). Americans, in short, are ambivalent.

Is this an obstacle to enhanced social policy generosity? One view says yes: countries tend to get the level of social policy generosity their citizens support (Page and Shapiro 1983; Shapiro and Young 1989; Burstein 1998; Alesina and Glaeser 2004; Brooks and Manza 2007; Howard 2007: ch. 6). An alternative view suggests that this has the causality backwards. Policy influences attitudes

more than the other way around (Svallfors 1997; Rothstein 1998; Jaeger 2006; Larsen 2008; Kenworthy 2009c; Jordan 2010; Newman and Jacobs 2010). The public tends to support policies they perceive to be effective. Once generous programs get put in place, they build a constituency and become popular among the broad public. This makes backsliding difficult (Pierson 1994). The key, therefore, is to get effective programs enacted. Retrenchment can and will occur, in the form of cutbacks in eligibility, reductions in replacement rates, privatization, and so on. But over the past several decades it has proven difficult for policy makers in affluent countries to go very far down this road (Pierson 2001; Castles 2004).

One of the most successful, and in some respects surprising, recent anti-poverty developments in affluent countries has been that of the New Labour government in the United Kingdom from 1997 to 2010. Though the Blair and Brown governments focused much of their rhetoric and policy reform on increasing employment and economic opportunity, they also increased benefits and/or reduced taxes for low earners, single parents, and pensioners (Hills, Sefton, and Stewart 2009; Smeeding and Waldfogel 2010; Waldfogel 2010). Tom Sefton, John Hills, and Holly Sutherland (2009, figure 2.5) calculate that benefit and tax changes between 1997 and 2005 increased real disposable income for bottom-income-decile households by about 20%. My calculations using data from the Luxembourg Income Study suggest a similar increase (figure 2). It was one of the largest of any of the rich countries for which good comparative data are available.

Blair and Brown did not initially campaign on an anti-poverty platform (Waldfogel 2010). And there is little indication of strong demand among the British public for a surge in government generosity toward the poor in the late 1990s. If anything, public support for redistribution and assistance for the poor appears to have been declining during this period (Hills 2004: table 8.3). Yet a year into New Labour's first term, Tony Blair committed the government to end (relative) child poverty in the U.K. within a generation, and this led to a raft of policy initiatives that very clearly did boost incomes among Britain's poor.

American presidents and legislators with similar ambitions face different conditions. New Labour's efforts benefited from the fact that the U.K.'s government has few veto points. When Blair and Brown made a commitment to reduce poverty, they faced fewer obstacles to following through on it than an American president would. Still, over the course of the past century U.S. policy makers sometimes have been able, even at unlikely moments, to fashion compromises that produced policy changes or new programs which helped to boost the incomes or broader material well-being of its low-end households (Amenta 1998; Moss 2002; Cohn 2010; Gitterman 2010). This experience suggests reason for optimism — guarded, to be sure, but nevertheless genuine — about prospects for the future.

Appendix: Data Definitions and Sources

Average income. Gross domestic product (GDP) per capita, adjusted for inflation and converted into U.S. dollars using purchasing power parities (PPPs). Rescaled to range from zero to one. Source: Author's calculations using data in OECD (2010).

Education. Average years of schooling completed among the population age 25 and over. Source: Barro and Lee (n.d.).

Employment in agriculture. Employed persons in agriculture as a share of the population age 15 to 64. Source: Author's calculations using data in OECD (2010).

Imports. Imports as a share of GDP. Source: Author's calculations using data in OECD (2010).

Low-end incomes. Tenth-percentile (P10) household income per equivalent person. Incomes are adjusted for inflation and converted into year-2000 U.S. dollars using purchasing power parities (PPPs), adjusted for household size using the square root of the number of persons in the household as the equivalence scale, top-coded at 10 times the unequivalized median, and bottom-coded at 1% of the equivalized mean. Source: Author's calculations from Luxembourg Income Study household income data (variable: DPI) and OECD (2010) inflation and PPP data.

Redistribution. Government social expenditures as a share of GDP, adjusted (see the text for details) for the share of the population age 65 and over and for the unemployment rate. Rescaled to range from zero to one. The data include public spending in nine areas of social policy: old age, survivors, incapacity-related benefits, health, family, active labor market programs, unemployment, housing, and "other." Source: Author's calculations using data in OECD (2010).

Unemployment. Unemployed persons as a share of the labor force. Source: OECD (2010).

Wage-bargaining coverage. Share of employees whose wages are determined by collective bargaining. Source: Visser (2009, variable: ADJCOV).

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