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Abstract

Fiscal redistribution by the state provides a powerful counterweight to the growth of market income inequality in post-industrial democracies. Yet, significant questions remain about what explains the substantial variation in redistribution across nations and time in the contemporary era. In addition to recognizing the response of election-minded governments to the growth in insecurities and demands for redistribution associated with post-industrialization, I argue that where social democratic parties rule, and where employers and labor remain highly organized, inequality is blunted through redistribution of income by cash transfers and direct taxes and policies targeted at low income strata. This should be the case because the organizational scope, centralization, and policymaking integration of labor and capital facilitates the creation of post-industrial political coalitions necessary for redistributive policy making and implementation by social democratic governments, and organizationally suppresses insider politics by sectorally fragmented actors and excessive rent seeking by narrow interest groups. Labor organization, in particular, directly promotes demands for redistribution through several channels. I use 1979 to 2011 data from 18 democracies and estimate models of redistribution and policies for "outsiders." The main argument is supported by the evidence: social democratic government has especially significant egalitarian impacts on unemployment benefits and minimum income supports for low income workers as well as active labor market policies at high levels of labor and employer organization. Labor organization, itself, has significant and substantively large effects on fiscal redistribution. I use these results and evidence on recent trends in key determinants of redistribution to reflect on whether an era of "permanent inequality" is inevitable or simply a political possibility.

INTRODUCTION

The growth of income inequality is widespread among post-industrial democracies (OECD 2008; 2011; 2015). Social science theory highlights the causal role of post-industrialization: skill-biased technological change, globalization, the employment shift to services, trends in family structure, the decline of centralized collective bargaining, and other structural forces are commonly identified as the causes of greater inequality. In economics, for instance, the widely discussed research of Thomas Piketty and collaborators (Piketty 2014; Atkinson and Piketty 2007) has stressed the inegalitarian impacts on wealth concentration of the long-term trend in the ratio of the after-tax rate of return on capital to the economic growth rate; this work has also stressed many of the other aforementioned structural features of post-industrialization as sources of pronounced concentrations of income at the top in nations such as the United States (Piketty and Saez 2014).[2]

In political science, for example, the influential work of Kenneth Scheve and David Stasavage (2009; 2010) on long-term trends in income inequality, progressive taxation, and their determinants has explicitly questioned the role of political democracy, social democracy, and labor market institutions in shaping egalitarian policy and outcomes; in their work, economic structural changes and war mobilization play central roles.[3] More broadly, major streams of work in comparative politics such as the "new politics of the welfare state" research (e.g., Pierson

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[2] Piketty and colleagues of course acknowledge – even stress – the roles of variation in institutional context and public policy in determining the magnitude and direction of these effects; they do, however, largely ignore the important political foundations of those institutions and policies.

[3] Like Piketty and fellow travelers, Scheve and Stasavage do recognize the role of politics, but in the sense that variation in societal fairness norms, especially as activated by war mobilization, are central drivers of redistributive initiatives.

1994; 1996) and studies on the liberalization of the institutions of coordinated capitalism (e.g., Streek 2009; Baccaro 2014) have minimized the roles of partisan politics, class-based organizations, and interest representational systems in shaping the market distribution of income and redistributive policies in the post-industrial era.

The most notable countermovement to the "permanent inequality" school is the work of a group of political scientists and economists who focus on the U.S. case of excessively large rises in income inequalities. These scholars (e.g., Hacker and Pierson 2010; Stiglitz 2012; Philippon and Reshef 2012) argue that an array of public policy changes – most notably, pro-wealthy tax policy, anti-union policy, deregulation of markets (especially finance), pro-business trade pacts, and legal protections of business profitability – are largely responsible for the heightened levels of U.S. inequality. And, rent-seeking activity in the form of interest group mobilization and lobbying by increasingly fragmented, particularistic, and profit-oriented corporations and business associations is at the root of these policies (e.g., Hacker and Pierson 2010; Drutman, 2015; Mizruchi 2013).

This work certainly offers an important corrective to structuralist interpretations of post-industrial inequality; yet, the analysis of business, policy, and inequality certainly needs a comparative context to avoid misleading conclusions about the general roles of business is shaping inequality in rich democracies. For instance, as Cathie Jo Martin and I (Martin and Swank 2004; 2012) have stressed, when one moves to rich democracies with high levels of employer organization, business becomes a potentially invaluable ally to the state and labor in formulating and implementing egalitarian human capital policies; despite the neoliberal turn of business in some coordinated economies, encompassing, solidaristic business communities can

also be defenders against significant retrenchments of the welfare state (Pastor 2014).

In the present paper, I focus on fiscal redistribution and argue that the emphases on long-term structural changes and the de-emphasis of traditional political theories of income distribution can be quite misleading. Instead, I stress that scholars should reexamine the redistributive impacts of the basic dynamics of political democracy and, within this context, the egalitarian effects of social democracy, class organization, and associated institutions. When updated to account for new insights on political change in post-industrial societies, this approach provides a powerful account of redistribution. Specifically, I argue that the interests of lower income strata are more likely protected where traditionally egalitarian social democratic parties govern. Yet, the changing characteristics of feasible political coalitions in post-industrial societies suggest that the organization of labor and capital is central to the efforts of progressive governments. High levels of labor and employer organization should not only have direct positive effects on policies benefiting low income citizens, but organization should facilitate the creation of post-industrial political coalitions necessary for egalitarian policy making and implementation by social democratic governments. The organizational scope, centralization, and policymaking integration of labor and capital also suppresses "insider politics" by sectorally divided actors and the aforementioned excessive rent seeking by narrow interest groups typical of pluralist political economies such as the U.S.

I also argue that the commonly highlighted features of post-industrial transformation of advanced democratic capitalism are important influences on fiscal redistribution. This is so, at least in part, because post-industrialization influences the distribution of citizen preferences for redistribution and, in turn, the character of governments' programmatic responses; post-

industrialization's impact on inequality is not simply a matter of structural impacts on market income flows (e.g., skill-biased technological change) or functional delimiting of government policies (both through automatic stabilization and through forcing growth-promoting, market-oriented policy reform). Deindustrialization, international trade and capital openness, and business cycle downturns, for instance, create insecurities about future income and employment; a preference for more redistribution (or social insurance or both) is a major outcome of these citizen concerns (e.g., Rehm 2009; Walter 2010). And, as Brooks and Manza (2007) argue, election-minded and socio-political stability-conscious governments directly respond to such mass citizen preferences. In sum, variations in social democratic government, class organization and associated institutions as well as the overarching play of political democracy in post-industrial societies substantially determines fiscal redistribution.

The paper is organized as follows. I first offer a brief overview of trends and cross-national differences in market and final disposable income distribution, and, most centrally, fiscal redistribution. Next, I elaborate in a bit more detail my argument on the foundational role of politics in shaping government redistribution and outcomes. I then draw on 1979-to-2011 annual data from 18 nations to provide empirical analyses of the impacts of partisan government, the organization of labor and capital and their interaction with progressive government, and the dynamics of political democracy on direct fiscal redistribution of income (via cash transfers and direct taxation) among working-age households; I also examine three dimensions of fiscal redistribution that mitigate inequality at the bottom, namely, unemployment benefits for low-income workers, active labor market programs (hereafter ALMP), and minimum income

protection offered to labor market "outsiders." [4] The focus on fiscal redistribution is central; as highlighted in Table 1 below, cash transfers and direct taxation, alone, combine to reduce market income inequality among working-age households by 20 to 40 percent in most rich democracies; social transfers account on average for two-thirds of this redistribution while direct taxes account for the other third. In addition, unemployment benefits and minimum income supports for those at the bottom provide a significant bulwark against poverty while well-designed ALMP bolsters human capital and, in turn, market incomes.

I also offer some evidence on the micro-foundations of my argument by assessing whether left, center, and right parties still fundamentally diverge ideologically on inequality and redistribution in the post-industrial era. I also estimate across countries and time the impact of key features of post-industrialization, market inequalities, and class organization on the position of median voter on the question of how much government redistribution is desirable. I conclude by assessing the efficacy of political theories of redistribution and inequality and reflect on the question of whether "permanent inequality" is a structural feature of post-industrial societies or simply a political possibility.

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[4] Hicks and I (Hicks and Swank 1984) highlight that government redistributes income through both fiscal and normative (i.e., regulatory) policies, and that these policies may directly or indirectly (for instance, in the long term) shape the distribution of final disposable income. Both sets of policy choices are, of course, inherently political.

AN OVERVIEW OF INEQUALITY AND REDISTRIBUTION SINCE THE 1980s

Table 1 displays the facts on cross-national differences and mid-1980s to mid-2000s trends in market and disposable income inequality for working-age households as well as this paper's central focus, redistribution.[5] Market and disposable income inequality is measured by the familiar GINI index and redistribution is captured by the percentage change between market and disposable income GINIs (see the Appendix for information on all measures and data sources). As is commonly understood (Kenworthy 2008; Pontusson 2005), market and disposable income inequality among working-age households varies notably across nations: Nordic political economies register the lowest levels of inequality followed by continental European and, then, Anglo systems. The difference between continental and Anglo political economies for disposable income inequality among working-age households is small in the 1980s although it widens later.

Cross-national variation in the magnitude of direct fiscal redistribution follows a similar pattern although the Anglo nations' redistribution systems (especially Australia and Canada) rival the magnitude of redistribution in the continental European countries for working-age households. As careful analysis by the Joumard, Pisu, and Bloch (2012) illustrates, this is so because these Anglo systems rely on modest, albeit targeted cash transfers and a redistributive tax mix while continental European countries use large but pension-heavy cash transfers combined with weakly progressive tax mixes. Nordic political economies utilize large,

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[5] I use data from the 13 nations of Luxembourg Income Study (hereafter LIS) where one can obtain complete accountings of market income before all taxes and public transfers, and full "post-fisc" disposable income as well as

universalistic cash transfers and moderately progressive tax mixes.[6]

<center>**Table 1 about here**</center>

The table also spotlights key trends in inequality and redistribution since the mid-1980s. From the mid-1980s to the mid-1990s, market inequality among working-age households increased substantially in most countries; this was particularly true for the Nordic and Anglo nations. On the other hand, inequality in disposable household income increased only moderately in the 1980s and 1990s. As a variety of analyses show (OECD 2008; 2011; Immervoll and Richarson 2011), this happened largely because the 1980s-to-1990s increase in market inequality was somewhat concentrated in the lower half of the income distribution and, in turn, tax and transfer systems functioned well in redistributing more income; redistribution, on average, increased by 16 percent. While not large enough to offset the growth in market inequality, it significantly blunted the inegalitarian trend.

During the period from the mid-1990s to mid-2000s, the story changes. Market inequality increased, on average, very little while disposable household income inequality rose moderately. As the aforementioned studies document, this was largely a function of the partial concentration of inegalitarian trends in the top half of the income distribution (where the tax and transfer system has less impact) and the reduction in the general effectiveness of redistribution in a majority of countries. Tax systems grew less progressive and, especially, cash transfers lost progressivity through both fiscal drag (e.g., failure to adjust programs for inflation) and

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inequality data at a minimum of two time points before the global financial crisis.

[6] Of course the Nordic countries also provide substantial (progressive) in-kind social services and rely on regressive consumption taxes; these types of social spending and taxes are not accounted in LIS income distribution data. (See OECD [2011; 2015] , Joumard, Pisu,and Bloch [2012], and the literature cited, therein, for reasonable estimates of the distributive effects of these policies.)

retrenchment in benefits and entitlement conditions (Immervoll and Richardson 2011).

As to changes in inequality and redistribution during the global financial crisis (from 2007 to 2011 or later), we need to rely on OECD income distribution data; this data, which is highly correlated with the LIS data used in Table 1, is complete for a larger set of countries generally, and for significantly more country years after 2007 specifically.[7] As illustrated in a recent analysis by the OECD (2015, especially Ch. 3), the financial crisis wrought large changes in income flows with declines in capital income in the top half and declines of labor income in the bottom part of the income distribution. Market and disposable income inequality, as measured by the GINI coefficient, increased about one and half percent between 2007 and 2011. When one uses the ratio of household income at the 90th to 10th percentile of the income distribution, a measure that captures relative changes at the bottom and top more precisely than the GINI, inequality in disposable incomes increased by over five percent in four years of crisis. An examination of the OECD income distribution data (and analysis of policy changes offered in OECD [2015]) shows that redistribution initially increased through 2009 as governments cut taxes and expanded benefits; budget consolidation if not significant austerity led to rollbacks of earlier tax cuts and benefit retrenchment from 2010 onward in the majority of rich democracies. In the end, the overall magnitude of redistribution declined modestly from 2007 to 2011.

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[7] The OECD data, which offers information on market and disposable income for working-age households in 18 rich nations from the 1980s through 2012 or so, differs marginally from the more widely used LIS data. OECD data is collected through national questionnaires and, in most cases, is based on different household surveys than the LIS data; differs in some income definitions; and uses a modestly different equivalence scale to adjust for household size (Wang and Caminada 2011). The correlation between redistribution from the 1980s-to-2000s LIS data for the 13 countries of Table 1 and the OECD data is .93.

EXPLAINING FISCAL DISTRIBUTION IN THE POST-INDUSTRIAL ERA

Partisan Governments and the Organization of Labor and Employers[8]

What accounts for the variation across countries and time in fiscal redistribution in contemporary post-industrial societies? In the first wave of systematic quantitative studies of redistribution, scholars stressed that social transfers, progressive taxation, and overall fiscal redistribution were notably shaped by government control by class-based parties; scholars consistently produced evidence of the strong redistributive impacts of social democratic party rule (e.g., Hewitt 1977; Hicks and Swank 1984; Stephens 1979; van Arnhem and Schotsman 1982). In a complementary research stream, Christian democratic governments have also been associated with notably generous social insurance programs (e.g., Hicks and Swank 1992; Huber, Ragin and Stephens 1993; van Kersbergen 1995) and, in turn, significant direct fiscal redistribution (Korpi and Palme 1998). [9] Yet, in the wake of 1970s and 1980s economic crises and post-industrialization, a group of scholars led by Paul Pierson (1994; 1996) questioned continued partisan effects on major social policies in the contemporary era. In this view, the new politics of welfare policy under post-industrial pressures for austerity and efficiency involved the politically difficult job of reducing concentrated benefits to well-defined, mobilized

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[8] Here, I build on the arguments initially developed in Swank (2013) on social protection, Swank (2014) on labor market dualism, and Martin and Swank (2012) on the social policy consequences of employer organization.

[9] As is commonly understood, scholars typically emphasized the balance of class power where labor mobilization through union organization, corporatist institutions, and left party rule signaled the relative advantage of low versus high income strata and the likelihood of redistribution (see Korpi [1983] for a classic statement). Christian democratic parties fell notably short of social democratic parties in redistribution given the universality of social protection and stronger progressive structure of income taxation under left rule; but the magnitude of cash transfers in Christian democratic welfare states guaranteed some redistributive punch (Korpi and Palme 1998).

constituencies in return for future, diffuse benefits.[10] In the face of continued political support for

social transfers and services, incumbent politicians had to engage in the politics of blame

avoidance where the success of reform depends on the character of program constituencies, the

depth of lock-in effects of social programs, and related programmatic traits. The partisan hue of

governments, the relative power of labor, and institutional features of the state have minimal

impacts on policy reforms. [11]

More recently scholars have also stressed that changes in post-industrial occupational

structures create new political challenges for social democratic parties.[12] David Rueda (2005;

2006; 2007) has argued that with respect to social democratic parties' constituencies, post-

industrial labor markets increasingly consist of insiders (skilled industrial sector workers) and

outsiders (younger, female, immigrant and less skilled workers increasingly concentrated in the

service sector and on the unemployment rolls). Iversen and Soskice (2015) make a similar point

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[10] A parallel literature stressed the near universal impulse among advanced capitalist democracies for market-oriented tax reforms (e.g., significant reduction in rates, base broadening) that threatens progressive taxation (e.g., Swank and Steinmo 2002; Plümper, Troeger, and Winner 2009).

[11] Ross (2000), Green-Pedersen (2002a; 2002b), and others extended Pierson's theory with respect to partisan government; these scholars suggested that parties of the left might actually retrench social protection as much (or even more) than right governments given their capacity for blame avoidance. Left parties are linked to development of the welfare state and, hence, are trusted to cut social spending only when necessary and only in the fairest manner. Thus, left governments may reduce benefits with fewer negative electoral consequences than parties of right who are less trusted to engineer retrenchment. Case analyses by Ross, Green-Pedersen and studies of budgetary consolidation across the OECD by Wagschal and Wenzelburger (2008; 2012) support this "Nixon goes to China" hypothesis.

[12] Two additional (now familiar) arguments also suggest social democratic parties are highly constrained in their pursuit of egalitarian policies by the post-industrial structure of labor and capital markets. First, Iversen and Wren (1998) argue that social democratic (and all) parties face a "trilemma of the service economy." For social democrats, government may foster earnings equality (for instance, through wage solidarity and a high social wage) and employment levels (for instance, through public employment) in the face of post-industrial pressures on the income and jobs of lower skilled workers but they can not simultaneously achieve fiscal discipline (as pursuit of the first two goals adds to fiscal deficits). The social democratic policy regime is also threatened by international capital mobility as rises in capital market integration weaken domestic credit control and macrocorporatist institutions; this results, in turn, in a loss in state capacity to achieve the low unemployment and solid economic growth essential to the maintenance of a generous welfare state (Huber and Stephens 2001).

by noting that in the post-industrial production process, skilled and unskilled workers –
heretofore intertwined in the structure of industrial production and politically integrated in a
progressive social democratic-led coalition – are increasingly separated and dispersed across
enterprises and sectors.[13]

For Rueda, the interests of insiders are in the maintenance of employment protection and
the moderation of taxation of labor income, while outsiders favor both income transfers for
short-term security and active labor market programs for human capital development and,
ultimately, secure employment. Rueda argues that in the absence of rises in unemployment and
risks that threaten insiders, social democratic parties will maintain employment protection and
moderate tax burdens but not increase transfers and active labor market programs (with their
associated tax burdens) that generally enhance the incomes of those at the bottom. Generally,
Rueda and collaborators (e.g., Lindvall and Rueda 2013) stress the complex electoral dilemma
facing social democratic parties. Partisan shifts to insider and middle class appeals by social
democrats risk outsider defections (e.g, parliamentary elections in Sweden in 1998); often left
parties respond by returning to more traditional policy orientations that encompass outsider
interests (e.g., parliamentary elections in Sweden in 2006 and 2010).

Although complementary to the thrust of Rueda's analysis, Häusermann and Kriesi
(2015) and Kitschelt and Rehm (2015) adopt a different perspective and stress that while the
market-state dimension of conflict still divides blue and white-collar wage earners and up-scale

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[13] For Iversen and Soskice (2015), the challenge for social democrats is to forge a new electoral coalition between
low-skilled workers increasingly concentrated in services, remaining high skilled blue collar workers, and middle
tier technicians and managers. As articulated in their past work (Iversen and Soskice 2006), the authors argue that
this new lower and middle class coalition is most likely in PR systems (especially those with strong secular right
parties and without significant Christian Democratic parties), where left parties may credibly commit to a

citizens, a strong univeralism-particularism dimension of cultural conflict creates electoral dilemmas for social democrats. Left parties increasingly rely on the support of socio-cultural professions who supply public services in education, health, and family and cultural services; these citizens prefer policies that promote an inclusive, multicultural, and participatory society. Yet, social democrats must balance policies for this constituency with those for wage earners who tend to favor exclusionary and traditionalist if not authoritarian socio-cultural policies. Ultimately, social democrats face the prospect of a "double backlash" from traditional and new post-industrial constituencies (Armingeon 2006).[14]

Notwithstanding these significant internal and external constraints on partisan policy, there are a number of reasons to expect continued, substantial impacts of social democratic government on redistribution and inequality. Theoretically, Korpi and Palme (2003) have pointed out that alternation in power of class-based parties is still foundational to post-industrial politics of economic and social policy. The unequal distribution of physical and human capital still influences social policy preferences across upper and lower strata of workers; the post-industrial welfare state still fundamentally shapes the distribution of incomes and security. Parties continue to represent class-based constituencies and reflect class-based conflicts. In fact, recent studies highlight the significance of incomes and exposure to risks for the formation of individual preferences for redistribution (e.g., Rehm 2009). In turn, preferences for social transfers and taxes shape citizens' partisan identification in post-industrial societies (Cusack, Iversen, and Rehm 2006).

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redistributive program of taxes on upper income strata and transfers to middle and lower income groups.
[14] See Häusermann and Schwander (2012) for a systematic explication of labor market segmentation and insider-outsider differences in post-industrial economies.

Second, empirical evidence suggests that left parties have not only maintained their commitment to equality but that the difference between them and center and right parties has widened. Figure 1 displays near 60 years of party positions on socioeconomic equality and redistribution in the advanced capitalist democracies.[15] As highlighted in the figure, left and right parties maintained a relatively constant separation in magnitude of commitment to equality from the 1950s to mid-1970s; left parties typically devoted twice as much space in programmatic statements to socioeconomic equality as right parties during this time. However, beginning in the 1970s, this gap widens considerably as left parties devoted three to four times the space to equality as right parties; unsurprisingly, center parties maintained a position roughly midway between the left and right throughout the entire period.

<div align="center">**Figure 1 about here**</div>

In addition, while contested, empirical evidence tends to show a continued impact of party government on fiscal redistribution in the post-industrial era. Similar to the aforementioned first generation studies of determinants of fiscal redistribution, works that assess the impacts on redistribution of long-term social democratic rule (e.g., years in government over the last two or more decades) find statistically significant effects of partisan government (e.g., Bradley et al 2003; Beramendi and Cusack 2008; Huber and Stephens 2014).[16] On the other hand, research

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[15] These data points represent annual mean party positions (for ideological groups of parties) across 18 rich democracies. I use the Manifesto Data Collection (Volkens et al 2014) to measure degrees of commitment by a party to inequality and redistribution. Although there is no explicit category for income redistribution in the data set, I utilize a relatively good proxy: the percentage of party manifesto statements devoted to "social justice;" this is defined as "concept of equality, need for fair treatment of all people; special protection for the underprivileged; need for fair distribution of resources; removal of class barriers; end of discrimination such as racial or sexual discrimination, etc…" In sum, this category effectively captures partisan commitment to fiscal and normative (i.e., regulatory) redistribution.

[16] It is important to note that like the first generation studies, this research typically assumes that measures of labor organization are functionally equivalent to long-term left rule; these studies do not generally try to separate the

<div align="center">14</div>

that actually assesses the redistributive impacts of alternation of party governments in the recent past reports inconsistent results; findings include both positive left (or negative right) government effects on fiscal redistribution (e.g., Iversen and Soskice 2006; Mahler, Jesuit, and Paradowski 2014) and the absence party government effects on redistribution (e.g., Lupu and Pontusson 2011; Mahler and Jesuit 2006). On balance, there is certainly sufficient evidence to continue to accord significant attention to the partisan government theory of redistribution.[17]

Finally, and perhaps most central to the redistributive impacts of partisan government in post-industrial societies, social democratic parties should be able to positively affect fiscal redistribution and the incomes and life chances of low income strata under specific politico-institutional conditions. In the next section, I elaborate the argument: where labor and employers have remained relatively densely organized and where labor and employer associations continue to be relatively centralized and integrated into state policy-making forums, progressive governments should have a much greater capacity to form post-industrial political coalitions for the formation and implementation of relatively egalitarian policies than where labor and employer organization is relatively low.

Labor and Employer Organization. The organization of labor unions and employers' associations is likely to have direct political effects on fiscal redistribution; it should also play a key role by facilitating social democratic parties' pursuit of sustained fiscal redistribution through transfers and income taxes and of enhanced human capital and other fiscal policies that

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effects of short-term variations in partisan rule in the post-industrial era from variations in contemporary labor organization.

[17] This conclusion is reinforced by the majority of studies of social spending (the most important element of direct fiscal redistribution) and its core programmatic traits (e.g., replacement rates, entitlement rights). See Schmidt (2010), Swank (2013), Jensen et al (2014), and Jensen and Seeberg (2015) for an overview of issues, studies, and

benefit "outsiders." Organization is defined as the density of organization of potential members, centralization of power in national peak associations (for instance, power over strike or lockout funds), and regularized integration of labor and capital into public policymaking forums.

A higher level of employer organization should be directly related to greater employers' support for policies that foster general human capital endowments of the workforce, and, in turn, promote market equality (Martin and Swank 2012). Strong employers' organization is also likely to politically and institutionally aid progressive governments' initiatives to develop and implement fiscal policies that benefit outsiders. These egalitarian impacts should hold for several reasons.

Cathie Jo Martin and I (Swank and Martin 2001; Martin and Swank 2004; 2012) have pointed out that high levels of employers' organization cultivate among member enterprises a collective orientation to the long-run interests of employers (for instance, an interest in human capital). In addition, the repeated exchanges with labor and the state that occur in macro-corporatist institutions build trust, reciprocity and a commitment to the public interest among employers. In fact, our analyses of the policy preferences of employers in highly organized Denmark and pluralist Britain revealed that Danish employers were much more likely to assume responsibility for labor market outsiders and to participate in programs for training than British enterprises (Martin and Swank 2012, Ch. 8). A complementary analysis of German employers also reveals that sectorally organized business in Germany lagged behind Danish firms in responsibility and ALMP participation (Nelson no date). Furthermore, Paster (2014) points out that in political economies where business associations remain highly encompassing (for

findings.

instance, bringing small and large business under the same umbrella) and integrated with welfare state institutions (e.g., Austria), business tends to perceive an interest (as individual and organizational beneficiaries) in preserving social insurance against significant neoliberal retrenchment.

In addition, post-industrialization increasingly divides employers between those who produce for markets exposed to international competition versus sheltered markets and between businesses who employ high, medium, or low skilled workers. In this context, strong employer organization contributes to the ability of social democratic governments to build a coalition of business (for instance, public sector, core manufacturing, and low skill service sector enterprises) that supports equitable social insurance reforms and expansions of programs that enhance human capital. Moreover, high employer organization provides social democratic governments with institutional leverage through which (a relatively unified community of) business can be approached and mobilized in support of relatively egalitarian reforms.

As employer organization declines, the benefits of encompassing and centralized organization fade. First, the sectoral (as opposed to encompassing) organization of employers tends to produce insider-outsider policies and outcomes. That is, where encompassing employer organization gives way to the primacy of organization within industrial sectors such chemicals, metal working and so forth, enterprises have little incentive to cooperate in national coalitions to combat inequality but only to seek to protect their own workers (Martin and Swank, 2012, esp. Ch. 11). Where pluralism characterizes business organization (for instance, the United States), one is likely to see extensive rent-seeking behavior as narrow business interest groups, and shifting coalitions of them, strive to enhance their economic positions and incomes through the

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politics; in the post-industrial context of market shifts of income to upper strata earners, mobile business, and union decline, inegalitarian policies and outcomes proliferate (Hacker and Pierson 2010; Stiglitz 2012).

With respect to labor organization, national trade union movements have played a central role in welfare state development and the reduction of income inequalities in the industrial age (e.g., Hicks 1999; Stephens 1979; Korpi 1983); some scholars also stress that union organization continues to undergird national systems of social protection, employment security, and redistribution in the face of post-industrial pressures (e.g., Garrett 1998; Kwon and Pontusson 2012; Swank 2002). On the other hand, post-industrialization reduces the density, centralization, and policy-making participation of peak associations of both labor and capital.[18] Some scholars have argued that even where unions remain relatively strong, encompassing organizations tend to be dominated by the interests of core sector unions (i.e., insiders). Palier (2012), Thelen (2014), and others, for instance, note that this is the very phenomenon we observe throughout much of continental Europe. With regards to Japan, Song (2012) notes that a coalition of core sector unions, large firms, and conservative policy makers engineered insider-oriented social and labor market reforms in the post-industrial era. At the same time, other scholars have stressed that where unions remain relatively encompassing (Nordic countries and Belgium), public sector and low-wage service sector unions (and hence women, younger, and low-skilled workers) are represented alongside core sector industrial unions and white collar workers (e.g., Bonoli 2006; Ebbinghaus 2006). In fact, the individual correlations between union density, centralization, and policy-making integration (the three components of union organization emphasized below) and

the ratio of outsider to insider unionization rates is .6 to .7 (p < .05) in a sample of a dozen European political economies in 2008.[19] All things considered, I hypothesize that union organization should have a direct, positive impact on fiscal redistribution and the policies addressing the needs of labor market outsiders.[20]

The direct impacts of union organization on fiscal redistribution are not limited to those that come through encompassing post-industrial political coalitions. They also come through the significant impact of union organization on electoral turnout (e.g., Korpi 1983; Kenworthy and Pontusson 2005; Pontusson 2013; Schäfer 2013). In fact, the correlation between the measure of union organization utilized below and turnout in parliamentary elections in advanced democracies between 1979 and 2011 is .66 (p<.001). It is of course the assumption of this line of thinking, an assumption supported by some clear evidence, that rises in general turnout rates increase demands for redistribution because newly mobilized voters will strongly tend to be lower income voters (see Mahler et al [2014] on the income skew of turnout).

Second, union organization also fosters pro-redistributive policy preferences among citizens. As Mosimann and Pontusson (2013) have argued, union membership promotes a sense of social affinity and solidarity among relatively higher and lower income members and, in turn, support for redistribution; it also results in higher and more equal levels of information on

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[18] See Martin and Swank (2012, Ch. 7) on the literature on the organizational decline of labor and employers.

[19] Hassel (2015) makes use of the 2008 European Social Survey to provide some precise measures of unionization of lower and upper strata workers in over a dozen of nations. I use the ratio of union density among workers with below median incomes to those above the median as an indicator of outsider-insider organizational integration. See below and the Appendix on data sources for all measures used in the analyses of the paper.

[20] Case study evidence suggests that union organization does promote inclusiveness, although insider interests may predominate. For instance, Davidsson and Emmenegger (2012) note that in the face of employer and government efforts to liberalize Swedish labor markets in recent years, the LO initially fought to defend both insiders and outsiders. The LO, however, ultimately agreed to liberalization of temporary employment in return for continuation of pro-insider "last in, first out" firing provisions.

economic interests and policy engagement of workers (Iversen and Soskice forthcoming). Indeed, studies have consistently shown that net of other factors, union membership is positively associated with support for redistribution at the individual level (e.g., Rehm 2009; Mosimann and Pontusson 2013). Finally, union organization compresses wage differentials, including the gap between full-time earners at the 50th and 10th percentile of the wage distribution (e.g., Rueda 2008). As Lupu and Pontusson (2011) have shown, this wage solidarity leads to strong middle and lower income social affinity and connectedness and, in turn, relatively greater support for redistribution among middle income citizens ("median voters").

The level of union organization should also promote social democratic parties' efforts to promote human capital development, social protection for outsiders, and general fiscal redistribution. This is so for two reasons. First, as widely understood, high labor organization facilitates wage restraint and related adaptive behavior by unions which, in turn, mitigates inflation and inefficiencies that are possible with social and human capital spending initiatives and associated taxation (Garrett 1998; Beramendi and Cusack 2008; Kwon and Pontusson 2012).[21] In addition, during the post-industrial era, high union organization increases the capacity of social democratic governments to build an egalitarian coalition of public and private sector unions and of unions with differentially skilled workers. As noted, highly organized unions are likely to represent outsiders as well as insiders in national policy-making forums and to mobilize electorally insiders and outsiders in support of more redistributive policy change. In fact, Thelen (2014) has recently shown that the key factor in Denmark's capacity to embed market liberalization in policies that promote extensive human capital development and preserve social

protection is labor organization. Encompassing labor organization effectively brought together white collar, public sector, skilled manufacturing, and low-skill service workers in support of "embedded flexibilization." (See Martin and Swank 2012 on the complementary role of high levels of employer organization in Denmark.)

In sum, politics and institutions should matter for redistribution in the post-industrial era. Social democratic governments should pursue greater fiscal redistribution than center-right incumbents, and high levels of employer and especially labor organization should directly promote policies that benefit low income strata. Moreover, high levels of organization of capital and labor should politically and organizationally contribute to the construction of political coalitions that move forward the making and implementation of redistributive policies by social democratic governments.

Post-industrial Insecurity and Political Democracy

Post-industrialization and its interaction with the dynamics of political competition in mature democracies is likely a major determinant of fiscal redistribution in its own right. As commonly argued, economic globalization generates demands for compensation from those who face job loss, suppressed wages, and heighted volatility of employment and income (e.g., Cameron 1978; Rodrik 1997; Garrett 1998); technological-induced deindustrialization is also considered a major source of demands that lead to redistributive policies (Iversen and Cusack 2000). Generally, there are three channels through which the post-industrial transition

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[21] Some scholars argue that European governments rely much less today than in the past on union accommodations that facilitate the pursuit of governments' preferred economic policy (e.g., Culpepper and Regan 2014).

significantly shapes redistribution.

First, post-industrialization affects the magnitude of redistribution through higher needs. Rises in joblessness, suppressed income, and changes in family structures (e.g., increases in single-parent families) automatically trigger significant transfers to the unemployed, single parents, and dependent children. As a recent study of contemporary fiscal redistribution illustrates, one of the largest determinants of the magnitude of redistribution is objective needs, namely, unemployment rates and the percentage of children in single parent families headed by women (Huber and Stephens 2014).

Second, post-industrialization-induced rises in economic insecurity may significantly shift the demand for redistribution in a pro-redistributive direction. For instance, trade openness and exposure to foreign direct investment are associated with significant rises in worker economic insecurity (e.g., Scheve and Slaughter 2004; Walter 2010). Heightened insecurity, whether caused by globalization, technological change, or frequent business cycle downturns, generates higher demand for redistribution, social insurance, or both (Rehm 2009; Hacker, Rehm, and Schlessinger 2013; Schmidt and Spies 2014; Walter 2010). Assuming political parties are office-seeking as well as policy-seeking, notable shifts in mass preferences in the direction of redistribution will elicit, all things equal, greater social protection and egalitarian policies (Brooks and Manza 2007).

Third, post-industrialization may generate rises in wage inequality and, in turn, household income inequality. Globalization has been a central part of the story. As Wood (1994) has noted, Hechsher-Ohlin/Stolper-Samuelson models with factor price convergence predict that increases in trade with developing nations will depress the earnings of semi- and unskilled workers in rich

nations. In addition, Alderson and Nielson (2002) and others have argued that increases of capital mobility have serious negative employment and wage bargaining impacts on labor. Yet, most research has questioned the strength of the hypothesized inegalitarian effects of globalization (e.g., IMF 2007; OECD 2008; 2011). Instead, recent research has indicated that skill-biased technological change has been at the center of forces driving wage inequality; technological changes favor those with the highest skill and educational levels in the workforce and disfavor middle and lower income employees engaged in routine tasks (see Kiersenkowski and Koske 2012). In addition, deindustrialization, or the shift in employment from relatively equal and high paying manufacturing jobs to unequal and excessively low paying service sector employment, results in wage dispersion Harrison and Bluestone (1988).

At the same time, it is important to point out the well known findings that rises in wage or family income inequality do not seem to be correlated with increases in citizen demands for redistribution (Kenworthy 2009; Kenworthy and McCall 2008), nor are they related to the magnitude of redistribution, itself, as predicted in the simple median voter model (Meltzer and Richard 1981). This "Robin Hood paradox" (Lindert 2004) has been well analyzed (e.g., Moene and Wallerstein 2001; Iversen and Soskice 2009). That said, Lupu and Pontusson (2011) have offered a plausible interpretation of the relationship between market inequalities and redistribution. Where the gap between the median and high wage earner grows relative to the gap between the median and low wage worker, the social affinity (e.g., shared experiences and connectedness) between the median and low wage earner grows. Middle income citizens will tend to shift in a pro-redistributive direction and election-minded governments will respond with appropriate policies. To the extent that post-industrial pressures weigh relatively heavily on

routine middle income workers, one would expect pro-redistributive outcomes from rising wage and family income inequalities.

<div align="center">**Figure 2 about here**</div>

Figure 2 summarizes these three causal paths between post-industrialization and fiscal redistribution; it also summarizes the causal paths between social democracy, labor and employer organization, and the interaction of party government and economic organizations on the one hand, and fiscal redistribution by state on the other. Finally, the figure highlights the interrelationships between class organization, political democracy, and redistribution (for instance, where union organization shapes the relative position of the median wage earner and the distribution of citizen preferences for redistribution). I now turn to an empirical analysis of these hypothesized determinants of redistribution in the post-industrial era.[22]

<div align="center">**EMPIRICS**</div>

In the following empirical analysis, I focus on explaining variations in fiscal redistribution (the percentage change between GINI indices for pre- and post-tax-and-transfer income in working-age households).[23] I examine total redistribution and, individually,

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[22] I also offer tests, below, of other widely discussed determinants of redistribution and egalitarian policies, namely, proportional representation (hereafter PR) (Birchfield and Crepaz 1998), turnout (Mahler and Jesuit 2006; Mahler et al 2014), and institutional veto points (Swank 2002; Huber and Stephens 2001). Theoretically, however, I assume PR works through impacts on Left governments (Iversen and Soskice 2006) and macrocorporatist organization of labor and capital (Martin and Swank 2012); institutional veto points works through labor and capital organization (Martin and Swank 2012); and turnout is one conduit of the political mobilization impacts of labor organization (Korpi 1983).

[23] I follow Iverson and Soskice (2015, footnote 14) and measure redistribution by percentage change in order to capture both policy changes and changes triggered by automatic stabilization in taxes and transfers. I use working-age household income distribution to avoid the distortions (e.g., zero market incomes) caused by inclusion of retirement-age households (Bradley et al 2003).

redistribution through social transfers and through taxes.[24] I also focus on three areas of policy directed toward low income households, or "outsiders:" average income replacement rates of unemployment compensation across single and two earner households at 50 percent of the average production worker earnings; spending for active labor market policy (hereafter ALMP) as a percentage of GDP; and minimum income protection for outsiders as measured by an indicator developed by K. Nelson (2007). Minimum income protection for citizens is the sum of means-tested cash assistance plus family and housing vouchers averaged across single, lone-parent, and two-parent households as a percent of the average production worker's wage.[25] Models of ALMP and minimum income protection estimated here update (with new controls, corrected measures for some explanatory variables, and more years in the case of ALMP) initial analysis reported in Swank (2014). I begin, however, with a simple test of my assumptions about causal mechanisms (see Figure 2); I regress the median voter's position on redistribution on elements of post-industrialization, the median earner's relative position in the wage distribution, and labor organization. (See the Appendix for details and data sources for all variables.)

I estimate empirical models of variations across space and time in redistribution (or policy) for 13 to 18 developed capitalist democracies (see Table 1) for the years 1979-2011.[26] The general model of redistribution and outsider policies is:

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[24] Following past work (see Martin and Swank 2012, Ch. 12), I also estimate a lagged endogenous variable model that shifts our analytic attention to determinants of temporal variation in redistribution. As is commonly understood, addition of lagged endogenous variable to the redistribution model below -- Redistribution$_{i,t}$ = α + β_0Redistribution$_{i,t-1}$ + β_1(Trade Openness.)$_{i,t-1}$..... -- is equivalent to Redistribution$_{i,t}$ - β_0Redistribution$_{i,t-1}$ = α + (β_0-1) Redistribution$_{i,t-1}$ + β_1(Trade Openness.)$_{i,t-1}$....., where only the coefficient for the lag of redistribution differs across levels and change equations.

[25] This measure taps the likely social wage available to younger and irregularly employed workers who do not meet or have exhausted eligibility requirements for normal unemployment compensation.

[26] Data series begin between 1979 and the early 1980s and typically end around 2011; Nelson's data are available for 1990 to 2009 only. LIS redistribution data is typically available for time points every five years; the three low-

[Eq. 1] Redistribution/Outsider Policy$_{i,t}$ = α + β_1(Trade Openness.)$_{i,t-1}$ + β_2(Capital Mobility)$_{i,t-1}$ + β_3(De-industrialization)$_{i,t-1}$ + β_4(Percentage of Children in Female-Headed Housholds)$_{i,t-1}$ +β_5(Unemployment)$_{i,t-1}$+ β_6(Percent Change in Real per capita GDP)$_{i,t-1}$ + B_7(Position of the Median Earner/Income Skew)$_{i,t-1}$ + β_8(Social Democratic Govt)$_{i,cum\ t-10/3\ to\ t-1}$ + β_9(Christian Democratic Govt)$_{i,cum\ t-10/3\ to\ t-1}$ + β_{10}(Labor Organization)$_{i,t-1}$ + β_{11}(Employer Organization)$_{i,t-1}$ + $\varepsilon_{i,t}$,

For outsider policy variables, I add, in place of the income skew measure (discussed below), the ideological position of the median voter (where ideological position is constructed as a 0.0 to 100 scale with higher values indicating more collectivist orientations); I do so to preserve dozens of cases where the income measure is missing; technological change is included in the ALMP model.

For my exploratory analysis of redistribution preferences, I estimate the associations between support for redistribution and sets of variables tapping post-industrialization, median earner position/income skew, and labor political mobilization; I offer a preliminary multivariate model of redistributive preferences based on significant dimensions within each set of causal factors.[27] Given this analysis illuminates some of the key causal pathways in Figure 1, I present these results first.

For core political variables, I measure partisan control of government in the short and intermediate term. I do so for two reasons. First, as noted, effects of long-term cumulative

income benefit measures are measured annually.

[27] I proceed in stages rather than specifying a full 10 or 11 variable model because of the structure of the data; we have estimates of median voters' positions from 67 surveys across 18 democracies; however, the majority of these nations have surveys at only 2 or 3 time points. Hence, analysis hinges heavily on cross-national variation. Models with much more than a half dozen explanatory factors stretch the capacity of the data to instruct us.

partisan measures of social democracy are difficult to separate from those of labor union organization as they co-evolve across time. Second, much of the debate about the political sources of redistribution involves discerning the impact of alternation in power of party governments in the post-industrial era. That is, do partisan outcomes of democratic elections still fundamentally matter? Long-term cumulative measures stretching decades give us little power to address this question. Thus, I assess partisan impacts in the short term with a measure of average cabinet portfolio shares over the last three years. Short-term (three-year) measures allow us to assess the relatively immediate policy effects of partisan policy choices. I also use mean cabinet shares of social and Christian democratic parties over the preceding 10 years. Intermediate-term power in office is assessed because policy changes are occasionally phased in over a few years and frequently take the form of discrete, limited reforms whose effects accumulate over an intermediate period of time. I use both short- and long-term measures, alternatively, in each model, and report the most substantively and significantly important measures.[28]

The organization of labor is measured as a standard score index of union density, a 0.0 to 4.0 scale of centralization of powers in the largest national peak association (control of affiliate appointments, over strikes, of bargaining strategy, and of conflict funds), and a 0.0 to 1.0 scale of integration of unions into public policymaking forums. Employer organization is measured through a standard score index of the presence of a national employers' peak association, 0.0 to 4.0 scale of powers of the peak (control of affiliate appointments, over lockouts, of bargaining strategy, and of conflict funds), and 0.0 to 1.0 scale of policymaking integration of employers.

As to the economic position of the median wage earner, I follow the conceptualization

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[28] Tests of multicollinearity reveal these short-term and intermediate measures have low associations with the

and measurement procedures of Lupu and Pontusson (2011) and use a ratio of ratios, or income skew: I compute the ratios of earners at the 90th and 50th percentiles and at the 50th and 10th percentiles. As suggested by theory, I use the ratio of these two numbers to capture relative closeness of median to low income earners. (As noted, given data limitations, I substitute the ideological position of the median voter for this measure in more expansive data analysis of outsider policy measures.)

As to globalization, I control for imports and exports a percentage of GDP and a general measure of capital mobility (0.0 to 100 scale of liberalization of capital flows); substitutions of trade with developing countries and actual capital flows produce results similar to those reported below for the main measures. Technological change in the ALMP equation is measured as patents per one million population (OECD 2011). As to structural economic change, I follow Iversen and Cusack (2000) and measure deindustrialization as 100 minus industrial and agricultural employment as a percentage share of the working age population. Unemployment is measured as the percentage of the civilian work force unemployed (standardized across nations). As an additional control for economic conditions, I use growth rates in real per capita GDP (in international prices). I employ a one year lag of all variables unless otherwise noted.[29]

To assess the institutionally contingent effects of partisan government, I estimate Eq. 1 with a series of interaction terms; the equation for each measure of redistribution and low income policy for the impact of Social Democratic Government as mediated by Labor Organization is as follow:

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standard set of exogenous variables (e.g., R^2 deletes of .1 to .4).

[29] In iterations of basic models of redistribution, I use other lag specifications such as average values of variables over the typically five-year intervals between points of measurement for the LIS inequality data. These results do

[Eq. 2] Redistribution/Outsider Policy$_{i,t}$ = α + β_1(Trade Openness.)$_{i,t-1}$ + β_2(Capital Mobility)$_{i,t-1}$ + ... + β_{11}(Employer Organization)$_{i,t-1}$ + β_{12}(Social Democratic Govt × Labor Organization)$_{i,t-1}$ + $\varepsilon_{i,t}$,

Similar equations are estimated for Social Democratic Government and Employer Organization.

For estimation of all models (unless serial correlation is absent), I use Prais-Winsten regression with first-order serial correlation and panel correct standard errors (Beck and Katz, 1996). In addition, as the time series for some nations occasionally begin after 1979 or end before 2011, I use a standard technique for unbalanced panels where elements of the variance-covariance matrix are computed with all available pairs of panels. Finally, F- tests suggest unit (country) fixed effects might be appropriate in some cases, and I include them for ALMP. I do not use a fixed effects estimator for most equations because of limited time points (i.e., constrained temporal variation) for some analyses and the need to assess theoretically important variables with predominately cross-national variation. Most centrally, models without fixed effects explain close to, or in access of, 80 percent in the variation in redistribution or relevant outsider policies and, thus, minimize omitted-variable bias due to exclusion of fixed effects.

FINDINGS

I report in Table 2 the results of estimation of the impact of post-industrialization, median wage earner position (income skew), and labor mobilization on median voters' support for redistribution. As noted, this analysis explicitly assesses assumptions about several causal mechanisms linking post-industrial insecurity, market inequalities, and labor political

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not differ from those reported below.

mobilization to fiscal redistribution (see Figure 2). With regard to post-industrialization, higher trade openness is associated with greater support of redistribution. (Recall that lower median voter scores indicate more support for redistribution.) The coefficient for capital market openness is significant although incorrectly signed; deindustrialization is not associated with levels of support for redistribution.[30] As to business cycles, increases in unemployment rates are related to greater support for redistribution; once unemployment impacts are accounted, economic growth is not associated with support for redistribution.

<center>**Table 2 about here**</center>

The impacts of the income skew of median wage earners and labor political mobilization on mass support for redistribution are reported in the third and fourth columns of Table 2. Increases in the relative proximity of the median and low income earner (versus high income and median earner) are associated with more support for redistribution. So too is labor organization: increases (decreases) in the organizational articulation of trade union movements, as predicted, generate greater (lesser) support for government redistribution. The level of cabinet participation of social democratic parties in recent years is not associated with median voter positions on redistribution.

In the fifth column of Table 2, I report the combined model of redistribution support where significant variables from each subset of relevant factors are included; the incorrectly signed capital openness variable is initially added as well as reported variables; but capital mobility is insignificant in the combined model and, hence, dropped. Each of the core subset

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[30] A positive capital openness coefficient indicates that rises in capital mobility are related to increases in hostility toward state redistribution. This relationship, of course, is plausible in that both trends could reflect the growth in mass acceptance of neoliberal ideas and policies.

variables – trade openness, unemployment, income skew, and labor organization – is significantly related to support for redistribution in the combined model. The overall model, however, explains only about 30 percent of the variance in redistributive preferences. Moreover, F-tests suggest that fixed country and time effects should be used. Thus , to obviate potential bias in estimates of determinants of redistribution support, I estimated the model with full fixed effects. I report these findings in the sixth column of the table.

As the final column of Table 2 suggests, the predominant determinants of redistributive preferences of median voters are the relative position of the median wage earner and labor mobilization.[31] These factors exert substantively important impacts on support for redistribution. Keeping in mind that the redistributive preference variable has a mean of 2.5 and standard deviation of .5 (on a five point scale of responses), we can readily assess the substantive impact of a one standard deviation unit change in income skew and labor organization. (These variables have means of 1.1 and 0.0 and standard deviations of .1 and 1.0, respectively.) A one (standard deviation) unit change in income skew produces a shift of .18 toward greater support for redistribution (.1 × [-1.8287]); so too does a one (standard deviation) unit change in labor organization (1.0× [-.1854]). Given that support for redistribution has a standard deviation of .5, changes in magnitude of .2 are important. Finally, one might note that these results suggest an explanation of the absence of dramatic increases in demands for greater redistribution in the contemporary era.[32] That is, they point to the possibility that well known trends of increases in

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[31] Trade openness is completely insignificant and is now incorrectly signed in the fixed effects model; unemployment is correctly signed and has a t-statistic of roughly -1.0, although its impact on redistributive preferences appears far from robust.
[32] If one uses the ISSP data, the trend in support of redistribution between the mid-1980s and late 1990s, a period of significant increase in market inequality (see above), is slightly downward (more support). For instance, the average

wage inequality (to the extent the median wage earner's position declines relative to the top earners) and declines in labor organization might have offsetting effects on support for redistribution in the typical post-industrial democracy.

Table 3 reports the results of estimates of core factors' direct linear redistributive impacts (effects without mediation by class organization). I report the findings for the basic model of total redistribution and disaggregated transfer and tax redistribution. I also include estimation of a lagged endogenous variable model which shifts our focus to temporal change (see Note 23). As the table indicates, major features of post-industrial structural change, namely, globalization and deindustrialization, do not have strong, consistent effects on redistribution (net of the direct impact of needs). Capital market openness and deindustrialization are never significant. One gets largely the same result for capital openness when a foreign direct investment flows (FDI) variable is substituted for capital control liberalization. The principal difference is that rises in FDI are negatively and significantly related to redistribution through direct taxes.[33]

Table 3 about here

In the case of trade openness, there is some limited evidence that openness is associated with redistribution in ways consistent with the compensation thesis. Higher trade openness is significantly related to more redistribution in the model of redistribution through social transfers; this is in line with the prediction that trade openness will produce greater insecurity and, in turn,

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median voter score in 1985 is 2.83 and in 1996 it is 2.64. These means come from a subset of six countries (Australia, Austria, Germany, Norway, the UK, and the US) for which we have data across several time points. For an excellent analysis of the notable absence of increase in support for redistribution in the United States, see Ashok, Kuziemko, and Washington 2015. These authors report that support for redistribution among U.S. citizens under 40 is, in fact, rising. Greater resistance to government redistribution comes from primarily older Americans who perceive a redistribution-versus-Medicare/Social Security tradeoff.

[33] This finding is completely consistent with theory on globalization and tax competition; rises in capital flows are thought to result in competitive reductions in taxes on capital and high income earners (see Swank and Steinmo

greater demand for redistribution via compensatory income maintenance. On the other hand, trade openness is associated with less redistribution through direct taxation; this finding is in line with the classic argument that small, open, and capital-poor economies will maintain relatively low taxation on mobile assets (e.g., Hays 2009).

With respect to needs, the percentage of children in single mother households is associated with redistribution in the majority of models. In addition, unemployment rates are robustly related to redistribution in all iterations of the analysis. Estimates with the LIS data for working-age households indicate that a three point rise in the unemployment rate would increase redistribution (which ranges from roughly 20 to 40 percent in the sample of nation years) by 4.5 percentage points (3×1.5). This large impact is almost certainly due to unemployment activation of greater cash transfers and, to a lesser extent, progressive effects on the distribution of direct tax burdens (e.g., reductions in tax payments of lower income strata). Analyses of unemployment in Table 2 notwithstanding, the unemployment effect may also be the result of indirect joblessness impacts on insecurity, market inequalities, and demands for redistribution.

The second part of the table reports results for the explicitly political forces hypothesized to shape redistribution. The relative position of the median wage earner (income skew) has significant impacts on total redistribution and redistribution through transfers (first through third columns); its substantive effect is moderate. Specifically, focusing on the basic (LIS data) model of direct fiscal redistribution among working-age households, a one standard deviation rise in the income skew (.1) increases redistribution by roughly 1.3 percentage points (.1 × 12.8). The median wage earner's position is not an important correlate of redistribution in the case of tax

[2002] and Swank [2016] for evidence and a review of the literature.

redistribution. With respect to party government, the direct effects of short-term (or intermediate term) variations in social and Christian democratic government participation are largely absent (or incorrectly signed in the case of Christian democracy) from the redistribution models. We will wait, however, for tests of core propositions about the institutional mediation of party government in the post-industrial era to draw any conclusions on partisan theory.

With regard to the direct effects of labor organization and the structure of employers' associations, I find some strong evidence of the continuing weight of class organization on redistribution. This is particularly true for labor organization. For models of every variation of fiscal redistribution, labor organization has a highly significant and substantively important effect. In the basic model for redistribution across working-age households, a one standard deviation rise in labor organization (1.0) increases redistribution by nearly eight percentage points; the magnitude of labor organization's impact is at least four percentage points across models. Furthermore, as the second column of table 3 reveals, we find that both union density and peak association centralization have large impacts on redistribution; while not significant union policy-making integration is correctly signed.[34]

As to employers, theory suggests that all things equal, higher employer organization should be modestly associated with direct fiscal redistribution. It is important to note, however, that the employer variable is insignificant in most models.[35] Moreover, it has a negative impact on redistribution through direct taxes. This is not surprising: as Hays (2009) and Hertel-Fernadez

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[34] In complementary work, I find that policy-making integration and tripartite concertation have important positive effects on some labor market policies and outcomes (Swank 2014). Thus, I retain the policy-integration component of labor organization here.

[35] Multicollinearity is unlikely to be the cause; R^2 deletes for labor and employer organization do not exceed .7. While not trivial, this level does not approach the .8 to .85 level that typically causes significant inflation of standard

and Martin (2014) have argued, historically strong employers' associations were able to extract agreements on a tax mix of relatively low marginal income tax rates and high consumption taxes in return for support of significant social welfare protection. I find evidence of the strength of this historically embedded pattern of relationships here.

<center>**Table 4 about here**</center>

Is there support for the central hypothesis that where class organization remains relatively strong, social democratic parties continue to have significant impacts on redistribution and, especially, on policies for low income citizens in the post-industrial era? Table 4 reports the results of tests of this hypothesis for the three core models of redistribution from Table 3, namely, total, social transfer, and tax redistribution for working-age households. For these models, one should point out that all previously significant factors – most notably trade openness, children in single mother families, unemployment, and the relative position of the median wage earner generally retain their significance and substantive magnitude in the equations of Table 4.

Somewhat surprisingly, the core hypothesis that social democratic governments will affect redistribution at high levels of labor and capital organization receives only weak support. For total redistribution and for redistribution through social transfers, the interactions between social democratic government on the one hand, and labor and capital organization on the other, are all insignificant. It is only when we move to redistribution through taxation that we find the expected institutional mediation of party government impacts on redistribution. At high levels of labor organization, social democratic party governments maintain progressive tax structures

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errors (e.g., Hanushek and Jackson 1977).

relative to center-right parties. The same result occurs for high levels of employer organization: where employers are organized one (standard deviation) unit above the mean level of organization, the impact of moving from 0.0 to 100 percent social democratic party cabinet control is 3.8 percentage points of tax-based redistribution, or (.0033 +.[0347×1.0]) × 100.[36] Generally, these effects should be expected. When labor organization more fully integrates insider and outsider interests, social democratic governments will find it politically easier to limit marginal tax cuts on higher income workers and preserve modest direct tax burdens on lower income strata. Where employers are well organized and beneficiaries of relatively low direct income tax burdens, social democratic parties will feel less pressure to pursue neoliberal tax reforms. As Hays (2009) notes, the historically embedded structure of relatively low direct taxes (and high consumption taxes) may allow governments in small, consensus democracies (with corporatist institutions) to maintain low tax rates or even raise marginal tax rates for optimal revenue collections in the face of globalization.

The preceding analysis has relied on GINI based measures of redistribution. As Lambert (2001) notes, however, GINI-based measures of inequality and redistribution are sensitive to changes around the middle of the income distribution. What about the impacts of social democracy on income maintenance policies that are explicitly targeted to the lowest strata and on outsider-oriented programs that entail indirect fiscal redistribution and in-kind benefits? The latter forms of expenditure are not accounted in the LIS income distribution data set. I now turn to an analysis of unemployment benefits and minimum income protection for low income

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[36] Recall that the effect of some variable X_1 on Y at variable levels of X_2 is given by $\beta_1 + \beta_3[X_2]$, where β_3 is the coefficient for the interaction of X_1 and X_2. Standard errors for these marginal effects are readily computed (Kam and Franzese 2009).

citizens as well as spending on ALMP. (In future analysis, I will also utilize the percentage change in the 90/10 ratio between pre- and post-fisc household income distribution to test core hypotheses. As suggested in previous discussion, this measure may be more appropriate for tapping the magnitude of redistribution than the GINI index given the structure of changes in inequality in the contemporary era.)

Table 5 reports the results of the analysis of institutionally mediated impacts of social democracy on outsider policies. It also reports direct linear effects of general model factors on policies targeted for low income strata. For the ALMP model, a control for technological change (that creates pressures for workforce re-skilling) is added; to preserve dozens of nation years for the sample, I replace the median wage earner variable with the estimate of the ideological position of the median voter. With regard to post-industrialization, increases in both trade openness and capital mobility, as predicted by the compensation thesis, are associated with rises in unemployment replacement rates for lower strata workers; greater capital mobility is related to higher ALMP spending. So too is deindustrialization, although the decline of traditional sectors is associated with reductions in minimum income protections for outsiders. Generally, deindustrialization appears to suppress passive income maintenance while fostering active social policy. Finally, business cycles are important. Economic downturns (lower economic growth) are associated with greater passive and active labor market policy expenditures, while increases in unemployment are related to more generous income maintenance for lower income citizens.

With regards to central hypotheses about median voters, social democratic governments, and class organization, the table reveals substantial support for explicitly political determinants

of outsider policies. Left leaning median voters are associated with greater passive unemployment benefits, as expected. On the other hand, movement to left by the median voter is negatively related to spending on ALMP. Together, these findings suggest that while active policies such as training tend to benefit low income workers, median voters who lean left ideologically will demand more generous passive income supports and less extensive activation policies. Social democratic government directly bolsters ALMP and minimum income protection spending.[37] Higher labor organization is directly related to greater unemployment benefits for low income workers, while employer organization is positively associated with ALMP and minimum income protection. The absence of direct union organization impacts on ALMP and minimum income supports may reflect generally skeptical attitudes toward activation and income maintenance for outsiders.

With respect to core hypotheses on social democratic government and its conditionality on high labor and capital organization, Table 5 lends some substantial support. As the table indicates, social democratic party governments are able to increase unemployment benefits for low income workers, ALMP spending, and minimum income protection at high levels of union organization (and at high employer organization for unemployment benefits). These effects are revealed by the significant interactions between social democratic party cabinet participation and union organization reported in the middle column of each set of columns in Table 5. In order to offer concrete estimates of the size of these partisan impacts, I report the marginal effects of social democratic government in Table 6.

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[37] I use short-term social democratic government for ALMP and intermediate term social democratic party government for unemployment benefits and minimum income protection.

Table 6 displays the regression coefficient (and standard errors) for social democratic government at low, average, and high levels of union organization (when that marginal effect is significant). The table notes provide information on the definition of low, average, and high union organization. To derive the conditional impact of a shift from 0.0 to 100 percent cabinet control by social democratic parties in recent years, one simply multiples the marginal effect by 100. As the table reveals, social democratic government increases the income replacement rate of unemployment compensation for workers at 50 percent of the average production worker's wage by 3.6 percentage points when labor organization is moderately high. The relative magnitude of the effects for ALMP spending (as a percent of GDP) and minimum income protection (as a percent of average production worker's income) is comparable. (Recall that ALMP has a mean of .8 and standard deviation of .5 and minimum income protection has a mean of 48.5 with a standard deviation of 10.9). At high levels of labor organization, social democrats bolster ALMP spending by .2 percent of GDP and increase minimum income protection by 7.4 percentage points of average income. Overall, while only weak support was uncovered for this hypotheses for general income redistribution, a shift to analyses of policies that benefit low strata workers and citizens reveals important conditional impacts of partisan government in post-industrial societies.[38]

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[38] As discussed above, I also tested for direct effects of PR, institutional veto points, and turnout on redistribution and outsider policies. As I theorized, PR and institutional veto points do not have independent effects in models of Tables 3 though 5; turnout is significant in some LIS-based models of redistribution. It is generally not significant, however, in models of outsider policies. Labor organization is modestly diminished in substantive magnitude (albeit it remains highly significant), as one would expect, in those estimations with turnout effects.

CONCLUSIONS

Fiscal redistribution by the state provides a powerful counterweight to the growth of market income inequality in post-industrial democracies. What accounts for the rather substantial variation in fiscal redistribution across nations and time in the contemporary era? I have argued that the demand for redistribution and, in turn, the responses by election-minded governments in mature democracies should certainly explain some of the variation in redistribution. Within the overarching dynamics of political democracy, social democratic governments and high levels of organization of labor and employers should also play central roles in determining the magnitude of direct redistribution through cash transfers and direct taxes as well as the size of resource commitments to policies especially targeted to low income workers and labor market outsiders. That said, we know from extensive research that progressive governments face substantial challenges from the fissure of traditional pro-redistributive coalitions across skill and income levels, economic sectors, and positions on the post-industrial universalism versus particularism value dimension. In this context, social democratic governments should be able to fashion post-industrial redistributive coalitions for formulating and implementing egalitarian policies where the organization of labor and employers has remained relatively high.

Analyses presented above have suggested that major features of post-industrialization, namely, globalization, changes in family structure and frequent business cycle downturns have triggered automatic increases in social transfers and progressive adjustments of tax systems; they have also likely fostered insecurity, the decline of relative position of the median wage earner, and, in turn, demands for redistribution. Labor organization reinforces these demands for

redistribution and exercises direct and substantial influence on general fiscal redistribution and policies for lower income strata. Where labor organization, in particular, is high, social democratic governments maintain progressive tax systems, generous unemployment benefits and minimum income protections for low income citizens and ALMP for labor market outsiders. High employer organization independently reinforces these egalitarian effects in the case of ALMP.

An examination of these findings from the perspective of the second decade of the 21th century leads to a mix of optimism and pessimism with respect to income equality. On the one hand, the systematic evidence on the central role of politics suggests that inequality is highly malleable under certain political conditions. Incumbent governments respond to demands for egalitarian policies and progressive parties can build political coalitions in further support of them. On the other hand, the resilience of neoliberal economic orthodoxy (Schmidt and Thatcher 2013) and the continued weight of fiscal imbalance in many countries in the wake of financial crisis suggest a continuation of systematic budget consolidation and austerity (OECD 2015). In the longer term, the sustained decline of labor organization seems to indicate weakening of a key political foundation upon which egalitarian policies are built.[39] The parallel decline in employer organization also suggests the prospect of more sector-oriented insider politics and rent-seeking by narrowly focused and organized business interests. An era of "permanent inequality" is not inevitable but it is certainly a political possibility.

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[39] Union membership has declined from an average of 48 to 33 percent of wage and salaried employees between 1980 and 2011 in post-industrial democracies; the index of labor organization has declined from .20 standard deviation units above to .2 units below the mean in the same period.

APPENDIX

Variable details and data sources

Redistribution and Outsider Policies:

National Support for Government Redistribution. National support is the *median score* for individual responses to the question: "it is the responsibility of the government to reduce differences in income between people with high incomes and those with low income." Strongly Agree (1) Agree (2) Neither Agree or Disagree (3) Disagree (4) Strongly Disagree (5). Source: International Social Survey Program "Role of Government" (1985, 1990, 1996, 2006) and "Social Inequality" (1987, 1992, 1999, 2009) Surveys.

Redistribution: Percentage change in GINI index of income inequality between market and final disposable income (total fiscal redistribution, redistribution through transfers and through taxes, and fiscal redistribution among total households). Source (basic sample): computed from data in the Luxembourg Income Study nation micro-files. LIS micro-files available at http://www.lisdatacenter.org/our-data/lis-database/ (Microdata accessed during March and April 2013). Source (large sample): Source: OECD, Social and Welfare Statistics, Income Distribution Database, OECD iLibrary available at http://www.oecd-ilibrary.org; accessed on June 11, 2015.

ALMP: Active labor market policy spending as a percentage of GDP. Source: OECD iLibrary (Social Expenditures Data Base).

Minimum Income Protection for Outsiders: Minimum social protection from means-tested cash assistance and family and housing vouchers (as a percentage of the average production worker's wage). Source: *social protection data* from Nelson (2007); *average production worker's wage* is from O. Van Vliet & K. Caminada (2012)

Unemployment Benefits for the Low Income Production Worker: Net income replacement rate from unemployment compensation for the first year of unemployment for the worker at 50 percent of average production worker's wage; mean of single production worker and married couple at 50 percent of the average wage. Source: Scruggs, Jahn, Kuitto (forthcoming).

Politics:

The Wage Position of the Median Wage Earner (90/50 to 50/10 Ratios): ratio of earnings for workers at the 90th and 50th and 50th and 10th percentiles of the wage distribution. Source: OECD iLibrary (Earnings Data Base).

Ideological Position of the Median Voter: A measure of ideological position of the median voter developed by Kim and Fording (2003), where the median voter position is estimated from grouped party vote data, and parties' ideology is given by the 26-dimension party

manifesto ideological score. The median voter position is expressed on a 0.0 to 100 scale. Source: for ideological position of parties during 1973-2003 period, unpublished updates of manifesto data were provided by HeeMin Kim, Florida State University, in 2006; 2004-2010 updates and extensions from computations based on data in A. Volkens (2013).

Party Government: percent of cabinet portfolios held by social and Christian democratic parties. Source for *party portfolios*: Eric Browne and John Dreijmanis, *Government Coalitions in Western Democracies*, Longman, 1982; "Political Data Yearbooks" in annual issues of *European Journal of Political Research*. Source for *classification of parties*: Castles and Mair (1984); country-specific sources. Data are available at: http://www.marquette.edu/polisci/faculty_swank.shtml.

Union Organization: standard score index of union density, 0.0 to 4.0 scale of centralization of powers in the largest national peak association (control of affiliate appointments, control over strikes, collective bargaining strategy, conflict funds), and 0.0 to 1.0 scale of integration of unions into public policymaking forums. Source: All variables are from Visser (2013).

*Employer Organization***:** standard score index of presence of national employers' peak association, 0.0 to 4.0 scale of powers of the peak (affiliate appointments, control over lockouts, collective bargaining strategy, conflict funds), and 0.0 to 2.0 scale of integration of employers' organization into national policymaking forums.

Source for *presence of peak national employers confederation*. Data for 1955-1992: Golden, Wallerstein, and Lange (2009); for 1993-1997: Traxler, Blaschke, and Kittel (2001); for late 1990s-2010: Traxler and Humer (2007), country specific sources and labor and industrial relations periodicals.

Source for *powers of national peak employers' confederation*. Data for 1955-1992: Golden, Wallerstein, and Lange (2009); for 1993-1997: Traxler, Blaschke, and Kittel (2001); for late 1990s-2010: Traxler and Humer (2007), country specific sources and labor and industrial relations periodicals.

Source for *employer peak association participation in corporatist* (legislative and bureaucratic) forums for formulation and implementation of public policy (e.g., corporatist boards in labor-market policies, industrial policy, and related areas). Scored on a 0.0 to 1.0 ordinal scale where 0.0 indicates limited employer peak engagement and 1.0 indicates widespread employer peak engagement. Source: for 1970s-1997, Traxler, Blaschke, and Kittel (2001); for late 1990s-2010: Traxler and Humer (2007), country specific sources and labor and industrial relations periodicals.

Post-industrialization, Business Cycles, and Needs:

International Capital Mobility: Index of the liberalization of financial and capital controls developed by Quinn (1997) where liberalization is a 0.0 to 100.0 mean scale of the removal of capital controls and restrictions on current account transactions. Source: data from Dennis Quinn,Graduate School of Business, Georgetown University.

Trade Openness: exports and imports as percentages of GDP. Source: components from OECD *iLibrary*.

FDI Outflows: Foreign direct investment outflows as a percentage of GDP (in current US dollars). Source: foreign direct investment: International Monetary Fund (selected years b); GDP: OECD iLibrary (National Accounts).

Technological Change: Patents filed at EPO (European Patent Office) and United States Patent Office per one million population. Source: *Patents*: OECD iLibrary (Patent Statistics Database). *Population*: OECD iLibrary (Employment and Labor Market Statistics Data Base).

Deindustrialization: 100 minus industrial and agricultural employment as a percentage share of the working age population. Source: employment and populations variables are from OECD iLibrary, (Employment and Labor Market Statistics Data Base).

Children Living in Single-mother Households: as a percentage of total children. Source: Luxembourg Income Study (LIS), *Key Figures*, http://www.lisproject.org/key-figures/key-figures.htm; accessed June11 2015.

Unemployment: unemployed as a percent of the civilian workforce (standardized scale). Source: OECD iLibrary,(Employment and Labor Market Statistics Data Base).

Per Capita Real GDP in International Prices; Chain Index (levels or growth rates). Source: Heston, Summers, and Aten (2012)

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Figure 1. Left, Center, and Right Party Support for Redistribution
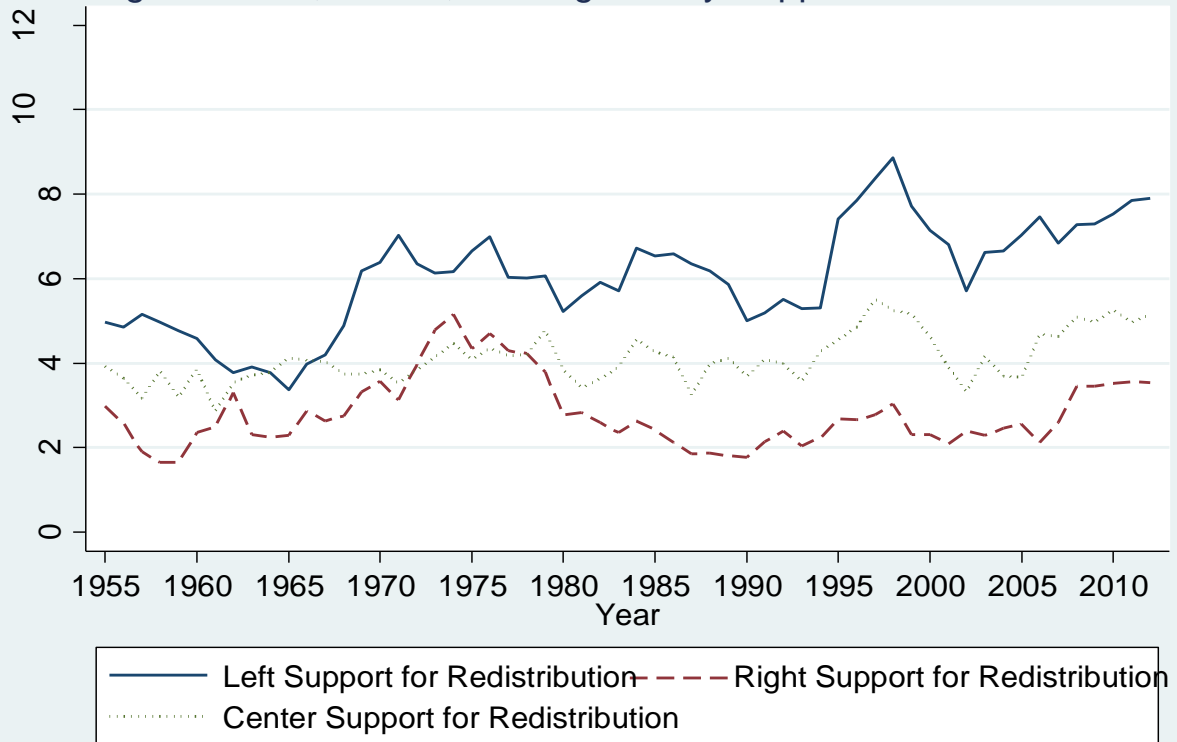
Figure 2. The Political Sources of Government Fiscal Redistribution of Income

Post-industrialization and Business Cycles (Rises in Insecurities, Needs)

Income Skew Median Wage Earner

Redistributive Preferences of Median Voter

Labor Organization

Social Democratic Government

Employer Organization

Mobilization of Post-industrial Political Coalitions for Formation and Implementation of Egalitarian Policies

Direct Fiscal Redistribution

Cash Social Transfers and Direct Taxation

Indirect Fiscal Redistribution

Human Capital Investments (training, education)

Generosity of Social Services/ In-Kind Benefits for Outsiders

Other Policies (aggregate demand)

Disposable Income Inequality

Table 1. Inequality and Fiscal Redistribution Among Working-Age Households in Post-industrial Capitalist Democracies, 1980s – 2000s[a]

	Market Income Inequality (GINIs)			Disposable Income Inequality (GINIs)			Fiscal Redistribution (% Change GINIs)		
	Mid-1980s	Mid-1990s (% Change)	Mid-2000s (% Change)	Mid-1980s	Mid-1990s (% Change)	Mid-2000s (%Change)	Mid-1980s	Mid-1990s (% Change)	Mid-2000s (% Change)
Nordic									
Denmark	30.0	32.7 (9.0)	32.5 (-.6)	21.4	18.9 (-11.6)	20.0 (5.8)	28.7	42.2 (47.0)	38.5 (-8.7)
Finland	29.0	36.5 (25.8)	35.8 (-1.9)	18.2	20.0 (9.8)	23.9 (19.5)	37.2	45.2 (21.5)	33.2 (-26.5)
Norway	25.7	30.5 (18.6)	35.3 (16.4)	20.7	21.5 (3.8)	23.8 (10.6)	19.4	29.5 (52.1)	32.6 (10.5)
Sweden	29.3	36.1 (23.2)	35.3 (-2.2)	18.3	19.3 (5.4)	21.6 (11.9)	37.5	46.5 (24.0)	38.8 (-16.6)
Mean	28.5	33.9 (19.0)	34.7 (2.3)	19.6	19.9 (1.6)	22.3 (12.2)	30.7	40.8 (33.1)	35.8 (-12.3)
Continental									
Belgium	---	29.8 (---)	--- (---)	---	23.4 (---)	--- (---)	---	36.8 (---)	---(---)
France	38.6	38.5 (-.1)	37.2 (-3.3)	28.6	27.8 (-2.7)	26.7 (-3.9)	25.9	27.8 (7.3)	28.2 (1.4)
Germany	32.3	34.4 (6.5)	37.2 (8.1)	25.0	26.0 (4.0)	26.9(3.4)	22.6	24.4 (-.1)	27.5 (12.7)
Netherlands	37.1	36.0(-3.0)	34.7 (-3.6)	25.2	24.7 (-2.0)	25.9 (4.8)	32.1	31.3 (-2.4)	25.4 (-18.8)
Switzerland	31.4	33.0(5.0)	29.7 (-10.0)	29.5	30.0 (1.7)	25.7 (-14.0)	6.0	9.1 (51.6)	13.5 (48.4)
Mean	34.8	35.5 (2.0)	34.7 (-2.2)	27.1	27.1 (0.0)	26.3 (-2.9)	21.6	23.2(7.4)	23.6 (1.7)
Anglo-Liberal									
Australia	36.6	40.8 (13.1)	40.4 (-.1)	27.5	29.7 (8.0)	29.9 (.1)	24.9	27.2 (9.2)	26.0 (-4.4)
Canada	34.2	37.2 (8.8)	39.2 (5.4)	26.9	27.7 (3.0)	30.7 (10.8)	21.3	25.5 (21.1)	21.6 (-15.3)
United Kingdom	41.1	44.2 (7.5)	43.0 (-2.7)	30.1	33.8 (12.3)	34.2 (1.2)	26.7	23.6 (-11.6)	20.4 (-13.6)

United States	38.2	42.0 (9.9)	43.2 (2.8)	31.3	34.7 (10.9)	35.9 (3.4)	18.1	17.2 (-5.0)	16.6 (-3.4)
Mean	37.5	41.0 (9.3)	41.4 (1.0)	28.9	31.5 (9.0)	32.7 (3.8)	22.8	23.4 (2.6)	21.2 (-9.4)
Overall Mean	33.6	36.8 (9.5)	36.9 (.3)	25.2	26.2 (4.0)	27.1 (3.4)	25.0	29.1 (16.4)	26.9 (-7.6)

[a] Table 1 reports 1984-87, 1994-1997, and 2004-07 mean GINIs for each type of inequality, and the percentage change (relative to the previous period) in GINIs for market and disposable household income (and in the magnitude of direct fiscal redistribution).

Source: Computations from the country micro-files on household income from the Luxembourg Income Study.

Table 2. The Sources of Preferences for Redistribution of the Median Voter, 1985-2009.

	Post-Industrialization	Business Cycle	Median Wage Earners	Labor Organization	Combined Model	Fixed Effects
Post-industrialization						
Trade Openness $_{t-1}$	-.0069** (.0014)	---	---	---	-.0037** (.0017)	.0008 (.0364)
Capital Market Openness $_{t-1}$	.0110** (.0040)	---	---	---	---	---
Deindustrialization $_{t-1}$	.0144 (.0114)	---	---	---	---	---
Business Cycle						
Unemployment $_{mean\ t\ to\ t-1}$	---	-.0352** (.0188)	---	---	-.0692** (.0162)	-.0393 (.0364)
Growth in Real Per Capita GDP $_{t-1}$	---	-.0018 (.0322)	---	---	---	---
Median Voters						
Position of the Median Wage Earner, Income Skew $_{t-1}$	---	---	-.9756* (.7487)	---	-1.2630** (.7042)	-1.8287** (.9163)
Labor Mobilization						
Union Organization $_{t-1}$	---	---	---	-.2054** (.0597)	-.0605* (.0418)	-.1854** (.0443)
Social Democratic Government $_{mean\ t-1\ to\ t-3}$	---	---	---	.0014 (.0016)	---	---
Constant	.7941	2.7570	3.5985	2.4331	4.6092	5.1715

Fixed Country/Year Effects	No	No	No	No	No	Yes
Observations	67	67	62	67	62	62
R^2	.2261	.0375	.0411	.1226	.2934	.7836

The dependent variable is a nation's median respondent's position on the survey item: "It is the responsibility of the government to reduce differences in income between people with high income and those with low incomes." Strongly Agree (1) Agree (2) Neither Agree or Disagree (3) Disagree (4) Strongly Disagree (5). Data come from the International Social Survey Program's Role of Government and Social Inequality Surveys in the years 1985, 1987, 1990, 1992, 1996, 1999, 2009. Samples in each of a total of 67 Surveys vary from 1000 to 3000 respondents.

Models are estimated with 1985-2009 data for 18 advanced democracies by OLS regression. The table reports unstandardized regression coefficients and panel-correct standard errors.

*significant at the .10 level; ** significant at the .05 level.

Table 3. The Sources of Direct Fiscal Redistribution Among Working-Age Households in Post-industrial Democracies, 1979-2011.

	Basic Model	Redistribution - Union Organ	Redistribution Transfers	Redistribution Taxes	Lagged Redistribution
Post-industrialization and the Business Cycle					
Trade Openness $_{t-1}$	.0206	.0074	.0750**	-.0458**	-.0091
	(.0228)	(.0185)	(.0247)	(.0229)	(.0167)
Capital Market Openness $_{t-1}$	-.0052	-.0110	.0093	-.0071	.0263
	(.0440)	(.0392)	(.0357)	(.0366)	(.0280)
Deindustrialization $_{t-1}$	-.0812	.1642	-.1489	.0195	-.1508
	(.1440)	(.1710)	(.1406)	(.1098)	(.1267)
Children in Single Mother Households $_t$	.3422**	.1045	.2385**	.1442*	.1819**
	(.1213)	(.1821)	(.1198)	(.1007)	(.0965)
Growth in Real Per Capita GDP $_{t-1}$	.1381	-.1407	-.1238	-.0710	-.2979**
	(.1939)	(.1852)	(.1058)	(.1459)	(.1429)
Unemployment $_{mean\ t\ to\ t-1}$	1.5133**	1.2816**	1.2194**	.4679**	.8794**
	(.2372)	(.2011)	(.1917)	(.1913)	(.2202)
Median Voters, Partisan Governments and the Organization of Labor/Capital					
Position of the Median Wage Earner, Income Skew $_{t-1}$	12.8272**	14.6264**	17.8699**	-1.7712	6.5078*
	(6.3118)	(6.3258)	(5.8907)	(3.3920)	(4.2140)
Social Democratic Government $_{mean\ t-1\ to\ t-3}$	.0008	.0089	-.0046	.0034	-.0076
	(.0152)	(.0134)	(.0133)	(.0102)	(.0102)

Christian Democratic Government $_{\text{mean t-1 to t-3}}$	-.0234 (.0233)	.0073 (.0284)	-.0660** (.0221)	.0381* (.0258)	-.0060 (.0139)
Union Organization $_{t-1}$	7.9408** (1.0728)	---	3.8772** (1.0654)	5.3099** (.6063)	4.6138** (1.1175)
Union Density $_{t-1}$	---	4.2021** (.9426)	---	---	---
Union Centralization $_{t-1}$	---	2.3566** (1.1190)	---	---	---
Union Policy Integration $_{t-1}$	---	.7476 (1.3134)	---	---	---
Employer Organization $_{t-1}$	-.9618 (1.2575)	-.5092 (1.0306)	.7971 (1.3527)	-2.0592** (.6262)	-.5017 (.8203)
Lagged Redistribution	---	---	---	---	.5104** (.08416)
Constant	4.6950	-11.3154	-5.0882	9.5642	9.0361
Observations	80	80	80	80	67
R^2	.7986	.8339	.7585	.4967	.9118

Models are estimated with 1979-2010 data for 13 advanced democracies by Prais-Winsten regression. The table reports unstandardized regression coefficients and panel-correct standard errors.

* significant at the .10 level; ** significant at the .05 level.

Table 4. Social Democracy, Labor-Capital Organization, and Direct Fiscal Redistribution Among Working-Age Households in Post-industrial Democracies, 1979-2011

	Total Redistribution Working-Age Households		Social Transfers Redistribution		Redistribution by Taxation	
	Union Mediation	Employer Mediation	Union Mediation	Employer Mediation	Union Mediation	Employer Mediation
Post-industrialization and the Business Cycle						
Trade Openness $_{t-1}$	.0195	.0306	.0679**	.0738**	-.0358*	-.0275
	(.0268)	(.0267)	(.0249)	(.0268)	(.0247)	(.0243)
Capital Market Openness $_{t-1}$	-.0041	-.0196	.0170	.0111	-.0175	-.0325
	(.0492)	(.0478)	(.0366)	(.0383)	(.0393)	(.0399)
Deindustrialization $_{t-1}$	-.0794	-.0919	-.1393	-.1476	.0042	-.0076
	(.1425)	(.01367)	(.1327)	(.1352)	(.1089)	(.1089)
Children in Single Mother Households $_{t}$	.3387**	.3543**	.2220**	.2365**	.1744*	.1982*
	(.1250)	(.1138)	(.1183)	(.1208)	(.1144)	(.1267)
Growth in Real Per Capita GDP $_{t-1}$	-.1364	-.1584	-.1054	-.1233	-.0884	-.0751
	(.1933)	(.1988)	(.1570)	(.1674)	(.1485)	(.1387)
Unemployment $_{\text{mean t to t-1}}$	1.5104**	1.5226**	1.2036**	1.2186**	.4935**	.4977**
	(.2327)	(.2151)	(.1945)	(.1917)	(.1864)	(.1762)
Median Voters, Partisan Governments and the Organization of Labor/Capital						
Position of the Median Wage Earner, Income Skew $_{t-1}$	12.8968**	13.5753**	18.3444**	17.7619**	-2.3910	-.6935
	(.63660)	(6.6367)	(5.7586)	(5.7586)	(3.3459)	(3.3815)
Social Democratic Government $_{\text{mean t-1 to t-3}}$	.0009	.0020	-.0046	-.0048	.0027	.0033
	(.0147)	(.0139)	(.0133)	(.0131)	(.0097)	(.0091)

Christian Democratic Government $_{\text{mean t-1 to t-3}}$	-.0235 (.0234)	-.0184 (.0253)	-.0689** (.0220)	-.0669** (.0245)	.0378* (.0258)	.0461** (.0270)
Union Organization $_{t-1}$	8.0601** (1.7985)	7.5485** (1.3321)	4.7384** (1.3544)	3.9309** (1.2686)	4.2356** (1.0845)	4.5082** (.7331
Employer Organization $_{t-1}$	-1.0215 (1.4024)	-1.2604 (1.2229)	.3073 (1.3882)	.8254 (1.3266)	-1.5252** (.6606)	-2.2988** (.5521)
Social Democratic Govt × Union Organization $_{t-1}$	-.0019 (.0179)	---	-.0131 (.0136)	----	.0153* (.0119)	---
Social Democratic Govt × Employer Organization $_{t-1}$	---	.0233 (.0260)	---	-.0028 (.0212)	---	.0347** (.0180)
Constant	4.5235	4.8252	-6.1850	-5.0839	11.1165	10.3103
Observations	80	80	80	80	80	80
R^2	.7986	.8239	.7637	.7608	.5065	.5239

Models are estimated with 1979-2010 data for 13 advanced democracies by Prais-Winsten regression. The table reports unstandardized regression coefficients and panel-correct standard errors.

* significant at the .10 level; ** significant at the .05 level.

Table 5. Social Democracy, Labor-Capital Organization, and Social Policies for Low-Income Citizens in Post-industrial Democracies, 1979-2012

	Unemployment Benefits for Low-Income Production Worker			Active Labor Market Policy As a Percent of GDP			Minimum Income Protection of Outsider as Percent of Average Wages		
	Basic Model	Union Mediation	Employer Mediation	Basic Model	Union Mediation	Employer Mediation	Basic Model	Union Mediation	Employer Mediation
Post-industrialization and the Business Cycle									
Technological Change $_{t-1}$	---	---	---	.0242 (.2740)	.0227 (2690)	.0287 (.2736)	---	---	---
Trade Openness $_{t-1}$	.0518** (.0185)	.0615** (.0187)	.0626** (.0188)	-.0003 (.0014)	-.0001 (.0014)	-.0002 (.0011)	.0043 (.0189)	.0120 (.0191)	.0010 (.0192)
Capital Market Openness $_{t-1}$	.0411** (.0234)	.0492** (.024)	.0472** (.0242)	.0030** (.0011)	.0031** (.0012)	.0030** (.011)	.0336 (.0348)	.0359 (.0345)	.0353 (.0349)
Deindustrialization $_{t-1}$	-.0036 (.0784)	-.0005 (.0786)	-.0061 (.0796)	.0235** (.0097)	.0247** (.0098)	.0248** (.0098)	-1.1446** (.1945)	-1.1274** (.1938)	-1.1516** (.1935)
Growth in Real Per Capita GDP $_{t-1}$	-.1314** (.0491)	-.1417** (.0502)	-.1397** (.0242)	-.0156** (.0065)	-.0156** (.0064)	-.0159** (.0065)	.1980* (.1223)	.1807* (.1226)	.2023** (.1231)
Unemployment $_{mean\ t\ to\ t-1}$	.0016 (.1272)	.0054 (.1202)	.0011 (.1322)	.0102 (.0100)	.0097 (.0100)	.0097 (.0101)	.5551** (.1824)	.5727** (.1822)	.5445** (.1838)
Median Voters, Partisan Governments and the Organization of Labor/Capital									
Ideological Position of the Median Voter $_{t-1}$	.0755** (.0295)	.0798** (.0298)	.0829** (.0301)	-.0027* (.0017)	-.0027* (.0017)	-.0026* (.0017)	.0259 (.0374)	.0335 (.0370)	.280 (.0376)

Social Democratic Government	.0014 (.00178)	-.0041 (.0178)	-.0064 (.0173)	.0006* (.0004)	.0006* (.0004)	.0004 (.0004)	.0284* (.0184)	.0314** (.0185)	.0287* (.0182)
Christian Democratic Government	-.0714* (.0436)	-.0704** (.0422)	-.0723** (.0420)	-.0010 (.0012)	-.0007 (.0012)	-.0001 (.0012)	-.0379 (.0266)	-.0296 (.0269)	-.0441* (.0264)
Union Organization $_{t-1}$	2.5415** (.9445)	1.4829* (1.0999)	2.9048** (.9536)	-.0418 (.5201)	-.0652 (.0052)	-.0652 (.0552)	.7294 (.9662)	-.8729 (1.2201)	.7708 (.9728)
Employer Organization $_{t-1}$	.6793 (1.1531)	.9081 (1.1299)	-.2312 (1.3517)	.4528** (.1404)	.4322** (.1413)	.4190** (.1456)	4.1210** (1.1895)	4.4634** (1.1745)	4.8583** (1.2683)
Social Democratic Govt × Union Organization $_{t-1}$	---	.0333** (.0154)	---	---	.0008* (.0005)	----	---	.0357** (.0184)	---
Social Democratic Govt × Employer Organization $_{t-1}$	---	---	.0272* (.0185)	--	---	.0008 (.0008)	---	---	-.0248 (.0248)
Constant	64.9043	62.8449	63.4678	-.7560	-.9050	-.9003	123.7162	121.6209	123.3546
Observations	512	512	512	482	482	482	357	357	357
R^2	.7607	.7742	.7767	.5009	.4953	.5011	.7753	.7753	.7767

Models of are estimated with 1979-2011 data for 18 advanced democracies (1990 – 2009 for Minimum Income Protection for Outsiders) by Prais-Winsten regression. The table reports unstandardized regression coefficients and estimated standard errors for marginal effects. The models of ALMP include country fixed effects.

* significant at the .10 level; ** significant at the .05 level.

Table 6. The Impact of Social Democratic Party Government on Policies for Low Income Citizens Across Levels of Labor Organization[1]

	Unemployment Benefits for Low-Income Production Worker	Active Labor Market Policy As a Percent of GDP	Minimum Income Protection of Outsider as Percent of Average Wages
Social Democratic Government Impact at			
Low Levels of Union Organization[2]	Ns	Ns	Ns
Average Levels of Union Organization[2]	Ns	.0005* (.0004)	.0314** (.0185)
High Levels of Union Organization[2]	.0358* (.0261)	.0016** (.0009)	.0742** (.0330)

[1] Results come from estimation of the marginal effects of social democracy in the second model of each set of equations of Table 5, and are estimated with 1979-2011 data for 18 advanced democracies (1990 – 2009 for Minimum Income Protection for Outsiders) by Prais-Winsten regression. The table reports unstandardized regression coefficients and estimated standard errors for marginal effects. Models of ALMP include country fixed effects.

[2] Low levels of union organization: mean 1994-96 union organization in Australia, Canada, United Kingdom, United States. Average levels: mean 1994-96 union organization in Netherlands, Italy. High levels: mean 1994-96 union organization in Denmark, Norway, Sweden.

* significant at the .10 level; ** significant at the .05 level; Ns - not significant.