

DEMOCRACY AND THE POLITICS OF INEQUALITY

BEN ANSELL, NUFFIELD COLLEGE, OXFORD
LISER, OCTOBER 2018

1. DOES INEQUALITY HARM DEMOCRACY?
2. WEALTH INEQUALITY AND REDISTRIBUTIVE POLITICS
3. WEALTH INEQUALITY AND POPULISM

1. DOES INEQUALITY
HARM DEMOCRACY?

Research on the economic origins of democracy and dictatorship has shifted away from the impact of growth and turned toward the question of how different patterns of growth – equal or unequal – shape regime change. This book offers a new theory of the historical relationship between economic modernization and the emergence of democracy on a global scale, focusing on the effects of land and income inequality. Contrary to most mainstream arguments, Ben W. Ansell and David J. Samuels suggest that democracy is more likely to emerge when rising, yet politically disenfranchised, groups demand more influence because they have more to lose, rather than when threats of redistribution to elite interests are low.

Ben W. Ansell is Professor of Comparative Democratic Institutions at Nuffield College, Oxford, and coeditor of *Comparative Political Studies*. His work on education, democracy, and housing markets has appeared in the *American Political Science Review*, *Comparative Political Studies*, *World Politics*, and *International Organization*. His book *From the Ballot to the Blackboard* (Cambridge, 2010) was awarded the 2011 William Riker Prize by the Political Economy Section of the American Political Science Association.

David J. Samuels is Distinguished McKnight University Professor of Political Science at the University of Minnesota. He is the coauthor of *Presidents, Parties, and Prime Ministers* (2010); the author of *Ambition, Federalism, and Legislative Politics in Brazil* (2003); and the coeditor of *Decentralization and Democracy in Latin America* (2004). His work has appeared in the *American Political Science Review*; the *American Journal of Political Science*; *Comparative Politics*; *Comparative Political Studies*; *Legislative Studies Quarterly*; and the *British Journal of Political Science*. He currently serves as coeditor of *Comparative Political Studies*.

Cover design by James F. Bissan

Ansell &
Samuels

INEQUALITY AND

DEMOCRATIZATION

Ben W. Ansell
David J. Samuels

INEQUALITY AND DEMOCRATIZATION

AN
ELITE-COMPETITION
APPROACH

CAMBRIDGE
UNIVERSITY PRESS
www.cambridge.org

ISBN 978-1-107-00036-0

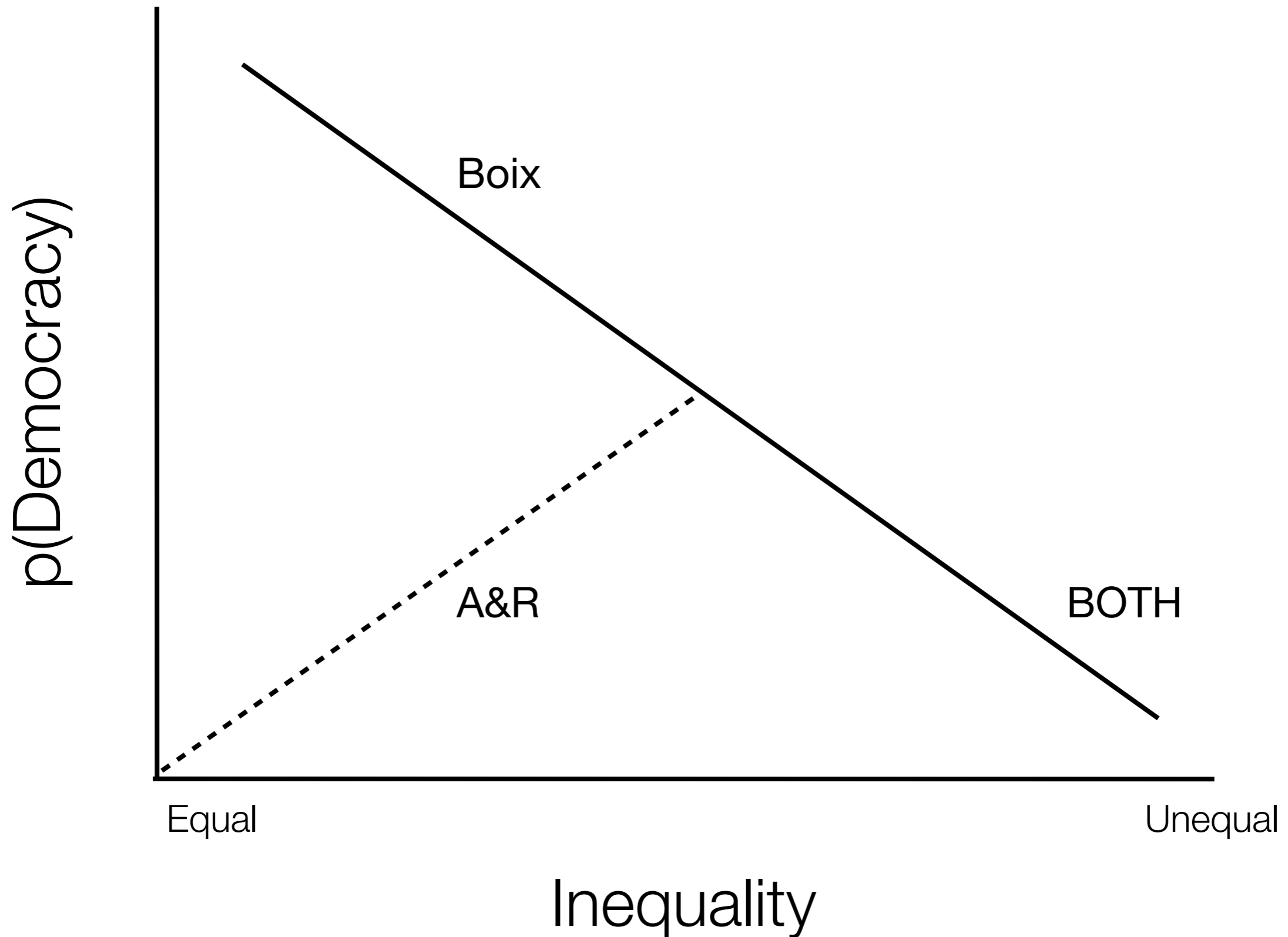


9 781107 000360 >

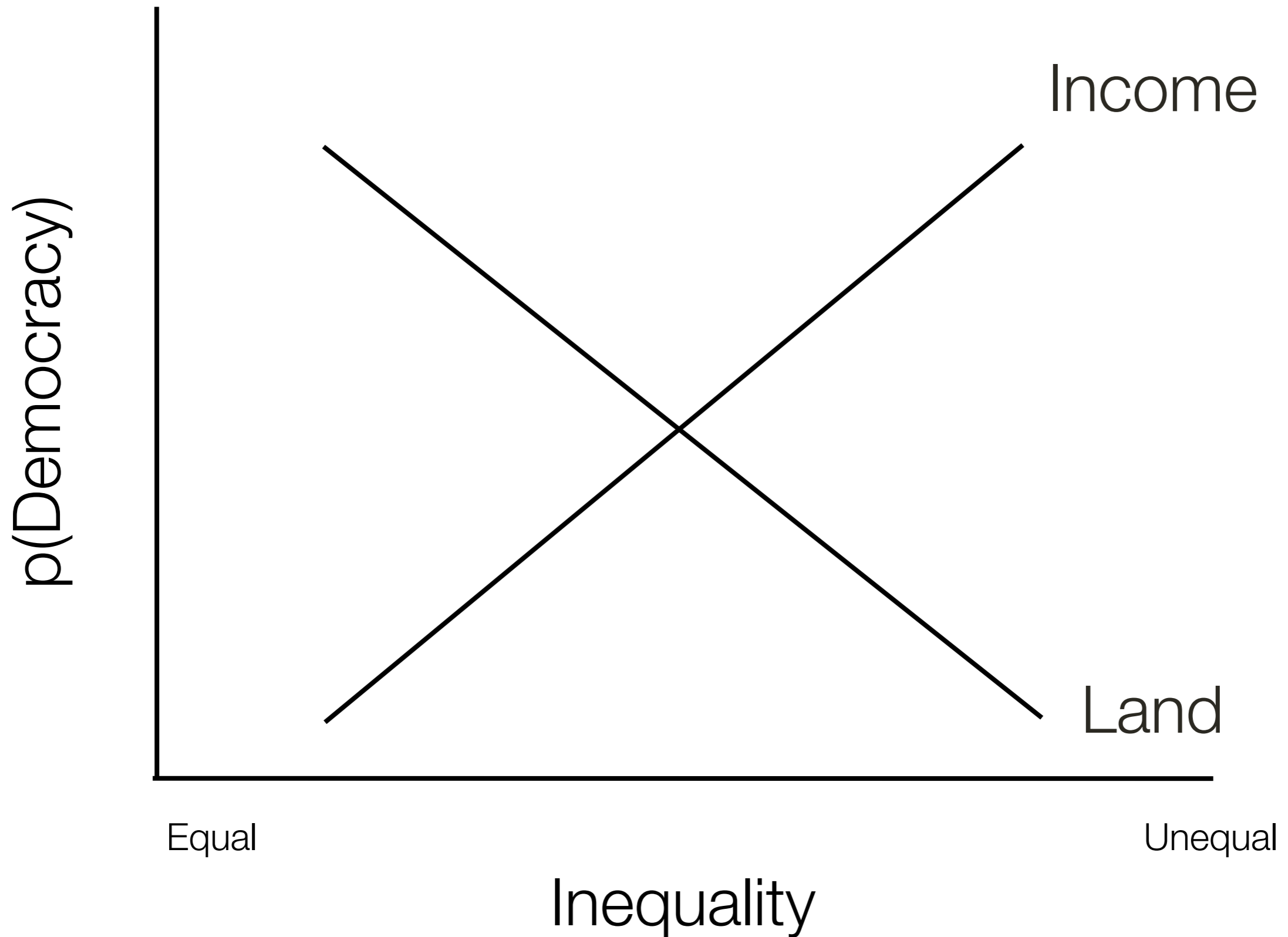
CAMBRIDGE

THE REDISTRIBUTIVE THEORY OF DEMOCRATIZATION

(Acemoglu and Robinson, 2001, 2006; Boix, 2003)



ELITE COMPETITION THEORY



BASIC MECHANISMS

Redistributivist models assume that the masses want to implement democracy to tax the rich.

'From each according to his ability to each according to his needs'

Elite competition models assume that rising economic classes want democracy to stop being taxed by the rich!

'No taxation without representation'

IMPACT OF INEQUALITY

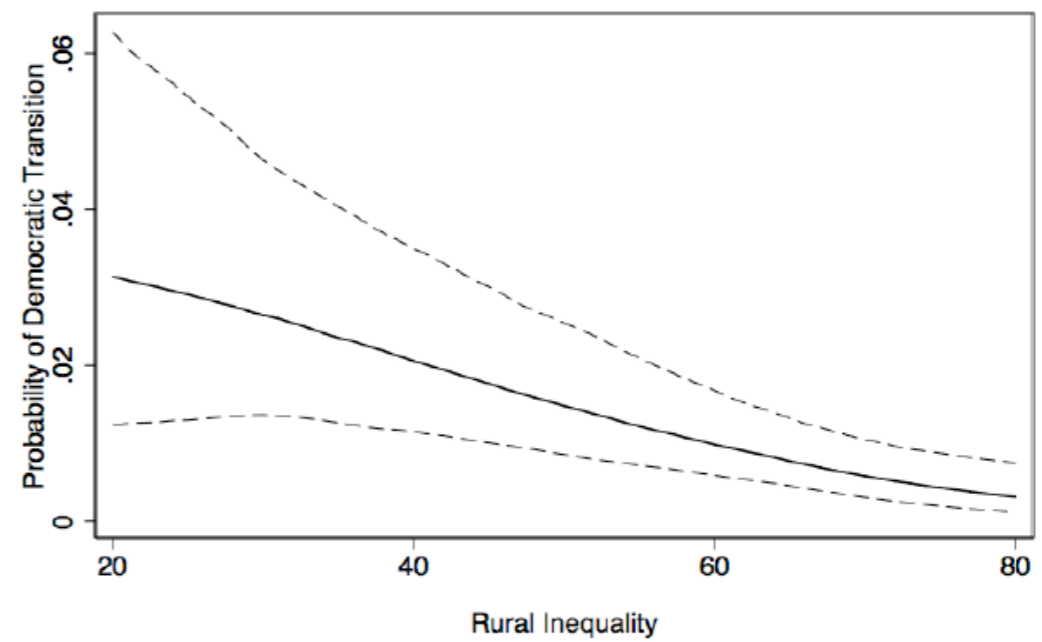
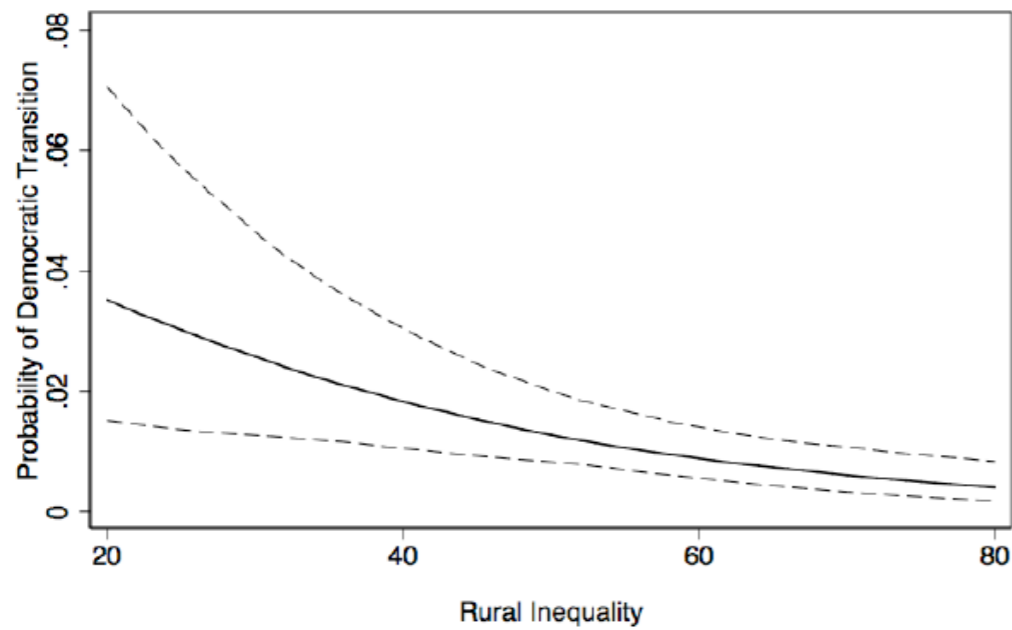
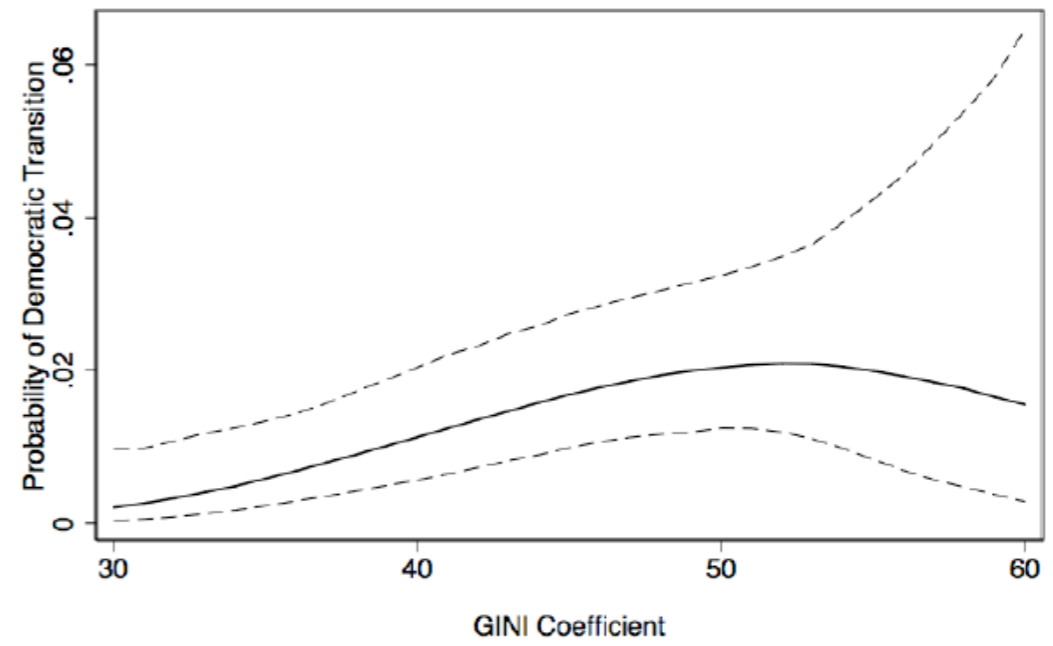
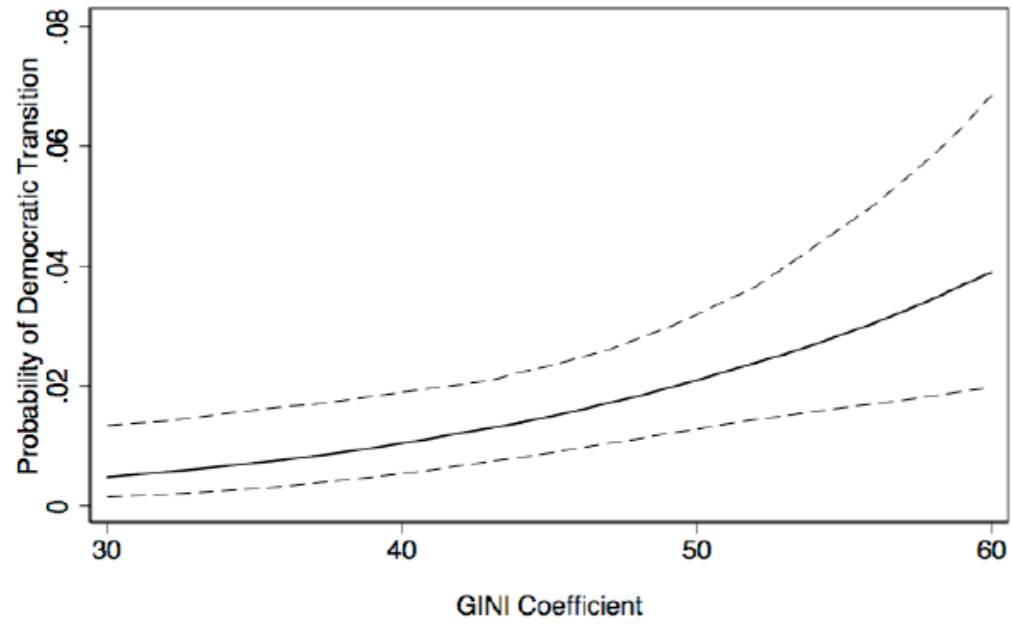
For redistributivists, rising inequality means a richer autocratic elite, who are a 'fatter cow' for redistribution.

For us, rising land inequality is the same!

But rising income inequality comes from a growing (urban) elite who lack representation.

The rich bourgeoisie demand protection from predation by the state. Inequality produces (partial) democratisation.

LINEAR vs. QUADRATIC



PUBLIC SPENDING

Redistributivists: democracy plus inequality raises redistribution.

Elite competition: elites can influence supply of public goods. Higher inequality means more political influence and more targeted 'club goods.'

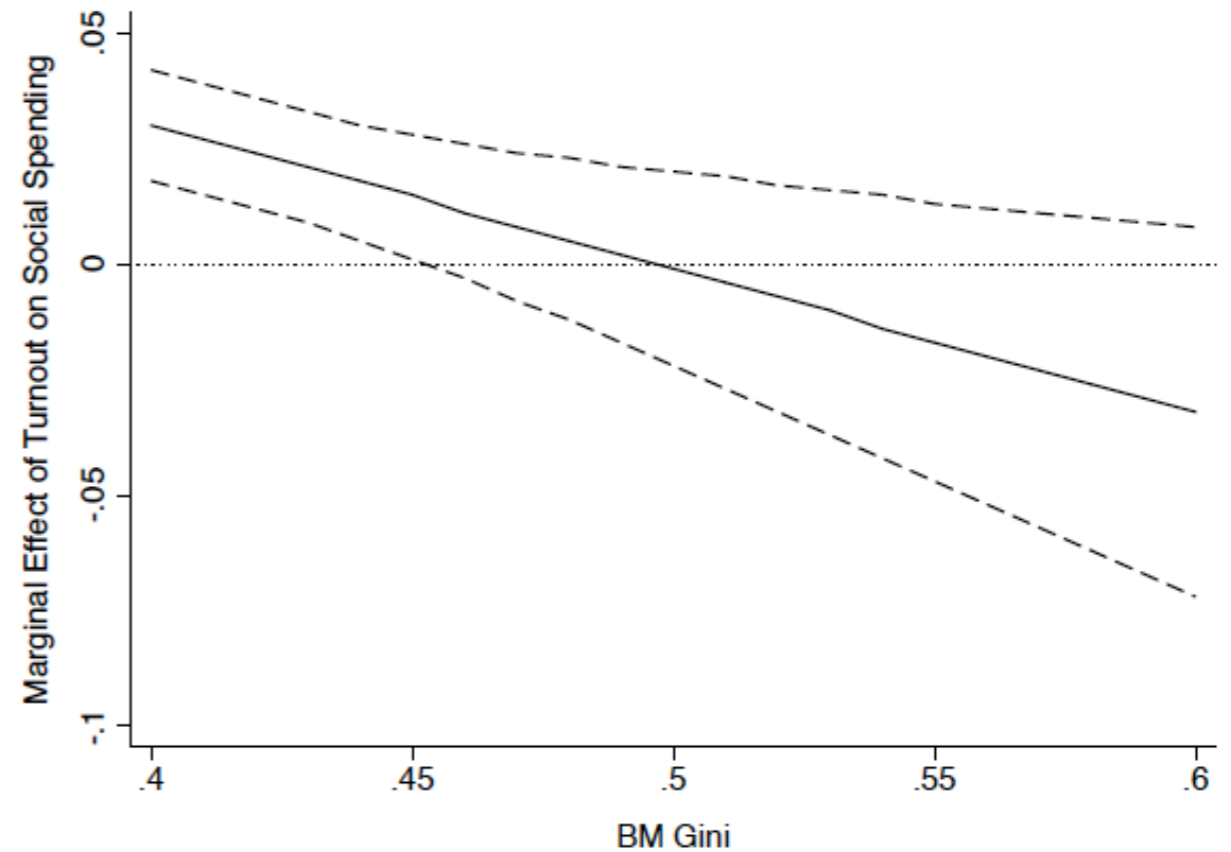
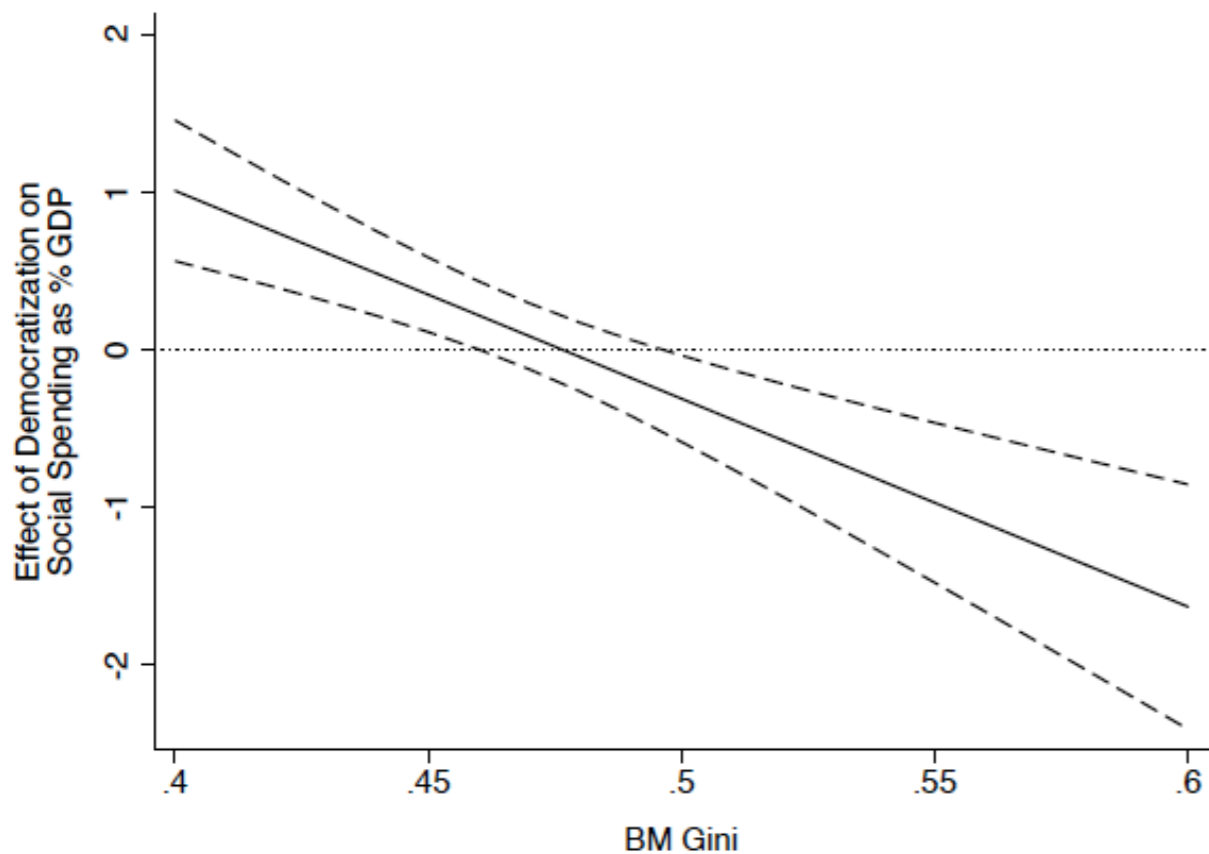
DATA

We build on Lindert (2004) and collected new data on public spending (and taxation) for 62 countries from 1870 to 1930.

Disaggregated into 'welfare', pensions, housing, and health. Different levels of 'clubness'

Find no evidence of positive effect of inequality and democracy. Indeed, we find precisely the reverse!
Holds up in modern dataset.

TOTAL SPENDING



Both democratization and turnout only lead to increased spending at LOW levels of income (and land) inequality.

MODERN DATA

Intriguingly the exact same pattern holds when we use contemporary data on government consumption. Similar finding to Shelton (JPubE, 2007).

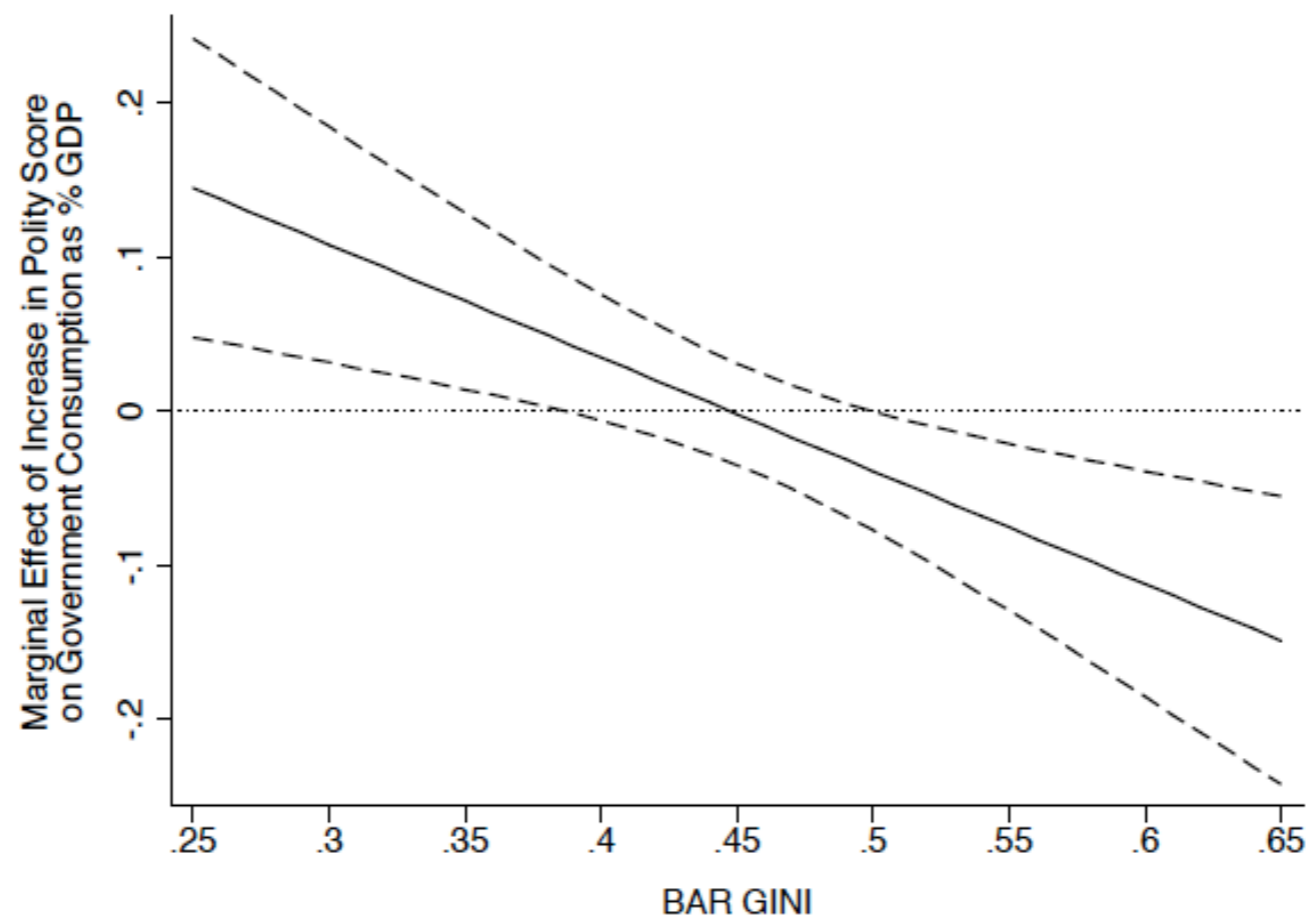


Figure 7.5: The Marginal Effect of the Polity Score on Government Consumption at Different Levels of Income Inequality

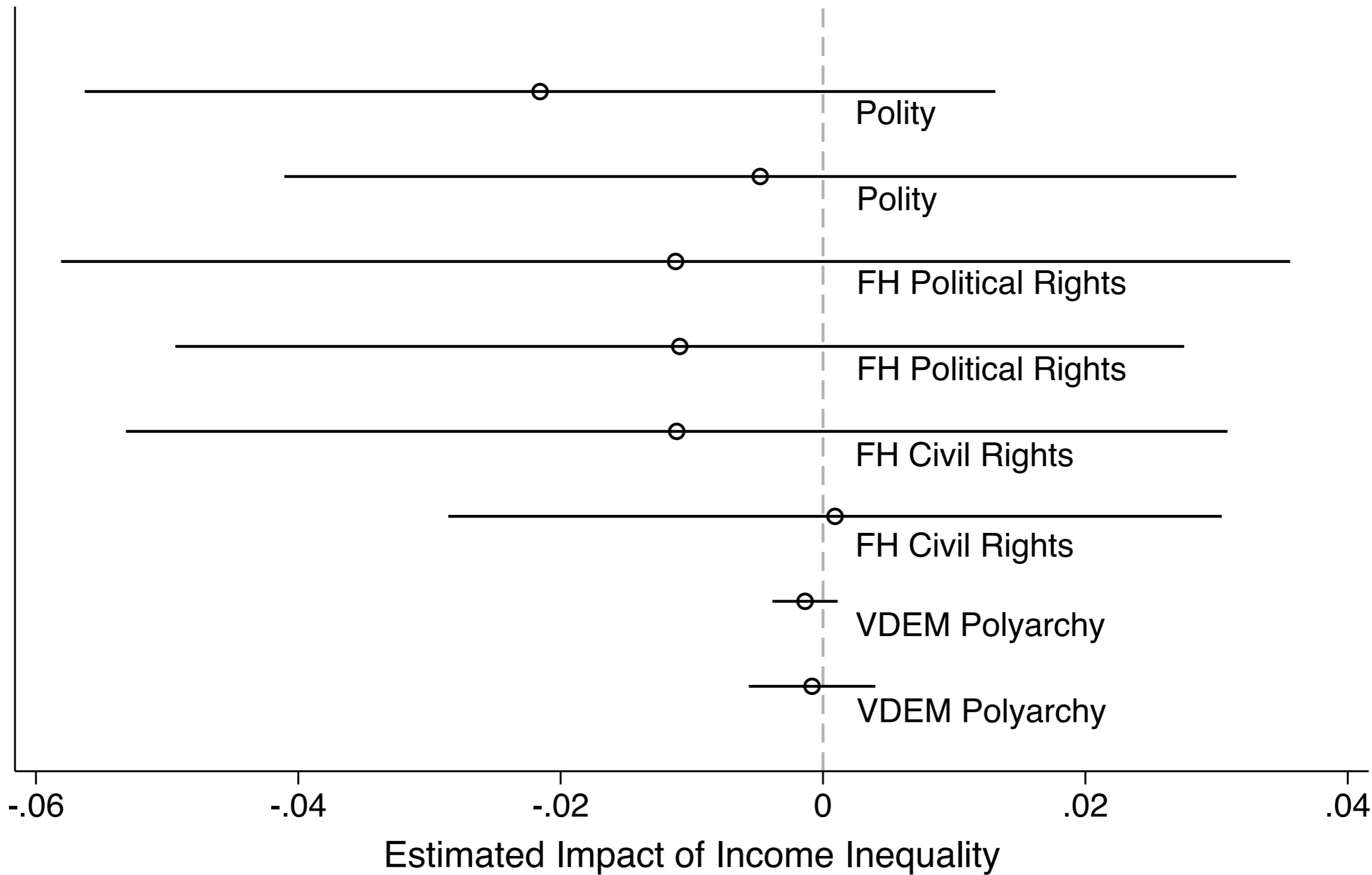
DEMOCRATIC SURVIVAL

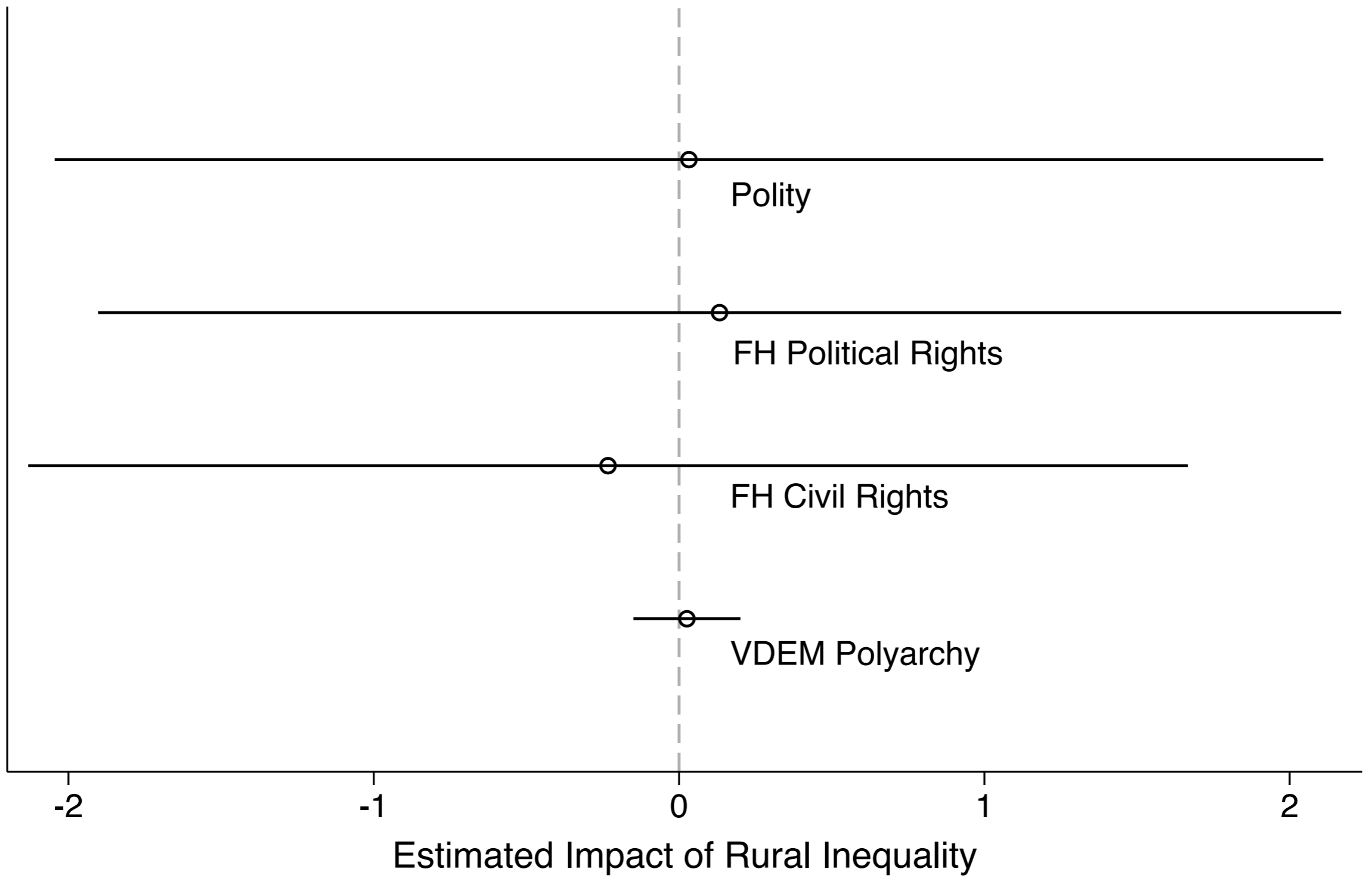
So much for Ansell & Samuels (2014) - what else do we have to say?!

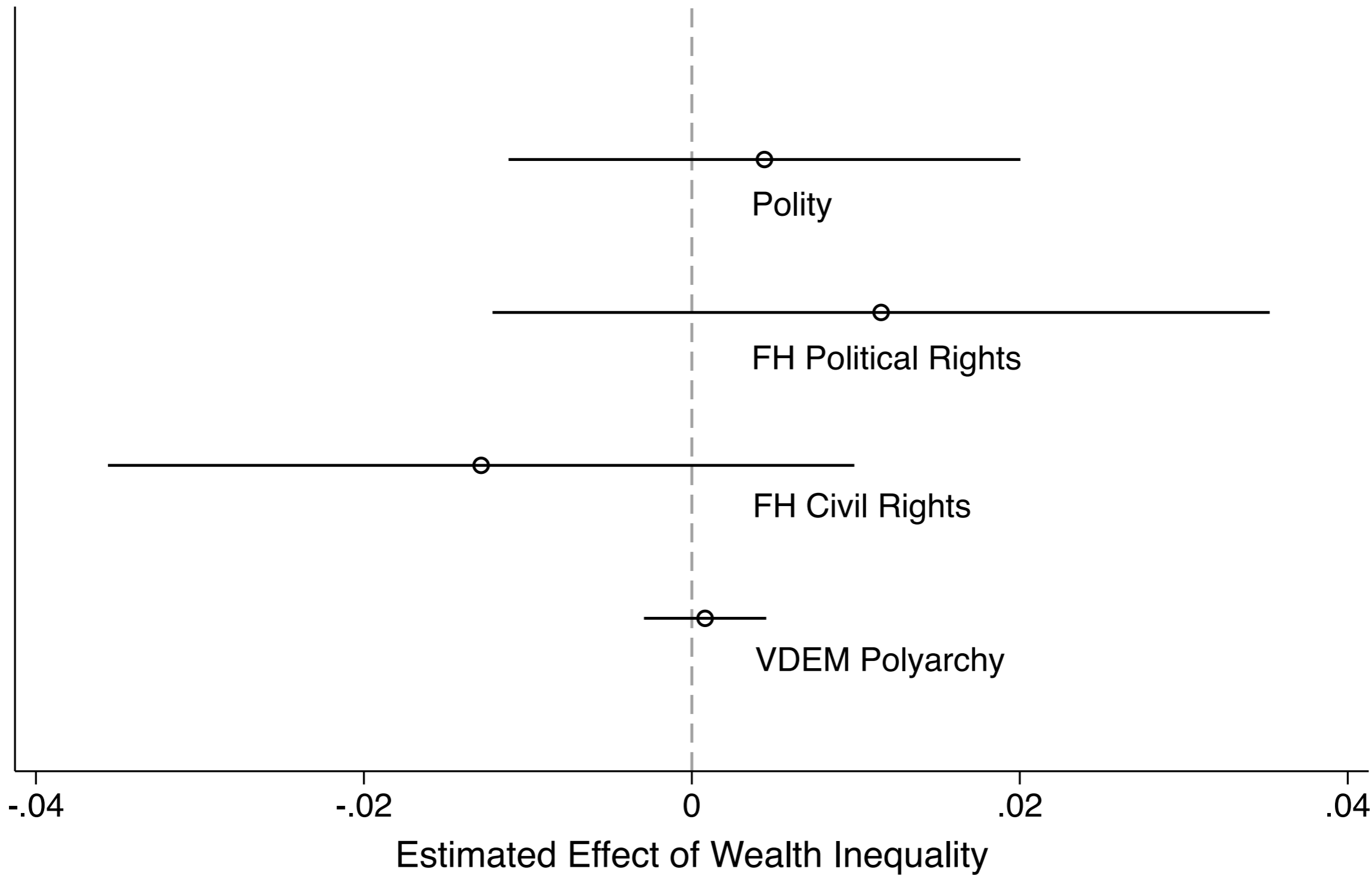
In recent work we examine solely democracies and look at backsliding on formal measures of democracy.

Use WIID income inequality data, Vanhanen rural inequality data, and Davis and Shorrocks wealth inequality data.

NO EVIDENCE of any relationship between inequality and democratic backsliding / survival.







SUMMING UP

Political scientists have cottage industry claiming inequality is 'bad' for political representation (Bartels, Gilens, Levitsky & Ziblatt).

This is not the same though as inequality being bad for transitions to democracy or the stability of formal democratic institutions. Some forms of inequality may indeed be GOOD FOR DEMOCRACY.

Still this is all pretty macro stuff...

2. WEALTH INEQUALITY & REDISTRIBUTIVE POLITICS

WHY WEALTH INEQUALITY?

We know a good deal about how income differences affect political behaviour. Class voting / retrospective voting.

We know much less about how differences in wealth at the individual and country level affect politics.

We just saw that income and land inequality matter differently in political regimes literature. What about *normal politics*? Both 1st dimension (economic) and 2nd dimension (cultural / populist)?

WEALTH vs INCOME

Wealth is much more unequally distributed than income and often in surprising ways.

Standard cross-national income inequality patterns do not hold up with wealth.

Wealth Distribution, Selected Countries (2016)				
Country	Gini	Top 10%	Top 5%	Top 1%
Denmark	89.3	73.21	56.83	31.15
United States	86.2	77.58	66.46	42.08
Sweden	83.2	72.62	59.50	35.94
Ireland	80.0	62.47	49.13	28.04
Norway	79.8	60.15	47.65	27.37
Germany	78.9	64.87	52.34	31.49
Austria	78.5	65.05	52.07	29.53
Finland	76.6	62.81	50.90	30.98
Netherlands	74.3	56.46	43.89	24.39
Canada	73.2	57.78	45.31	25.56
UK	73.2	56.57	43.74	23.93
Switzerland	72.1	56.52	44.11	24.77
France	72.0	56.43	44.12	24.81
Portugal	71.3	58.61	47.21	28.01
New Zealand	69.1	53.31	39.50	19.77
Italy	68.7	54.72	43.31	24.99
Australia	68.2	52.69	40.57	22.05
Spain	68.0	56.18	45.36	27.39
Greece	67.0	53.95	42.47	24.34
Belgium	64.1	48.15	35.86	17.93

Yellow Shading: "Liberal Market Economies"

Green Shading: "Coordinated Market Economies"

Source: Shorrocks (2016)

1ST DIMENSION POLITICS

Our standard hobbyhorse in political behavior. Left-right voting along economic lines.

Generally we expect high-income people to desire lower taxes and spending than do low-income people.

Does this work the same way for wealth? And how would we distinguish this from income.

How can we go about measuring it in surveys? HOUSING

HOUSING & PREFERENCES

LOWER TAXES:

- (a) Direct: land / property / inheritance / capital gains
- (b) Indirect: adopt income tax preferences of high-income

LOWER SPENDING :

- (a) Reduced eligibility for means-tested benefits
- (b) Reduced willingness to pay taxes for spending
- (c) Reduced demand for social insurance because of 'private insurance' of nest egg.

TYPES OF DATA

1. REGIONAL HOUSE PRICES: in many countries there is reliable contemporary data at a granular level on regional house prices. US has FHA data, UK has Land Registry. Allow apples to apples comparisons (though with limits).

2. INDIVIDUAL HOUSE PRICES: of course people don't buy a 'regional house'. Individual estimates tap into these important idiosyncrasies but rely on estimate's accuracy.

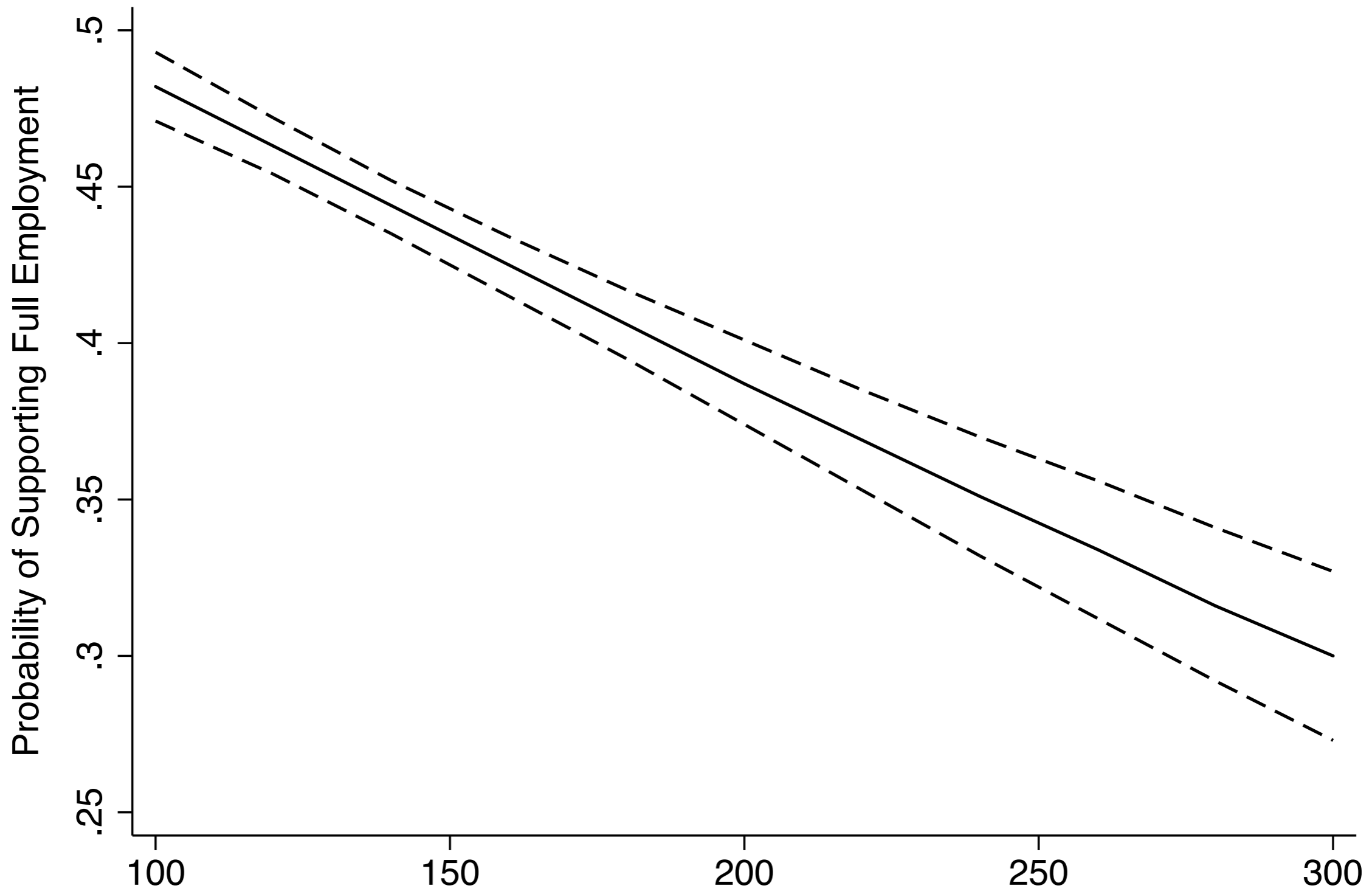
BHPS PANEL DATA

Panel dataset of 47,000 individuals in UK from 1991 to 2006. Examine effects of both changes and levels in estimated housing values.

DV: Δ in (A) Support for Full Employment
(B) Ideology Index

IV: Δ in self-estimate of house value in £10K

TECHNIQUES: (A) Ordered Probit
(B) Error Correction Model
(C) Permanent / Transitory Income



House Price in £1,000s

Ansell, 2014

WHO IS MOST AFFECTED?

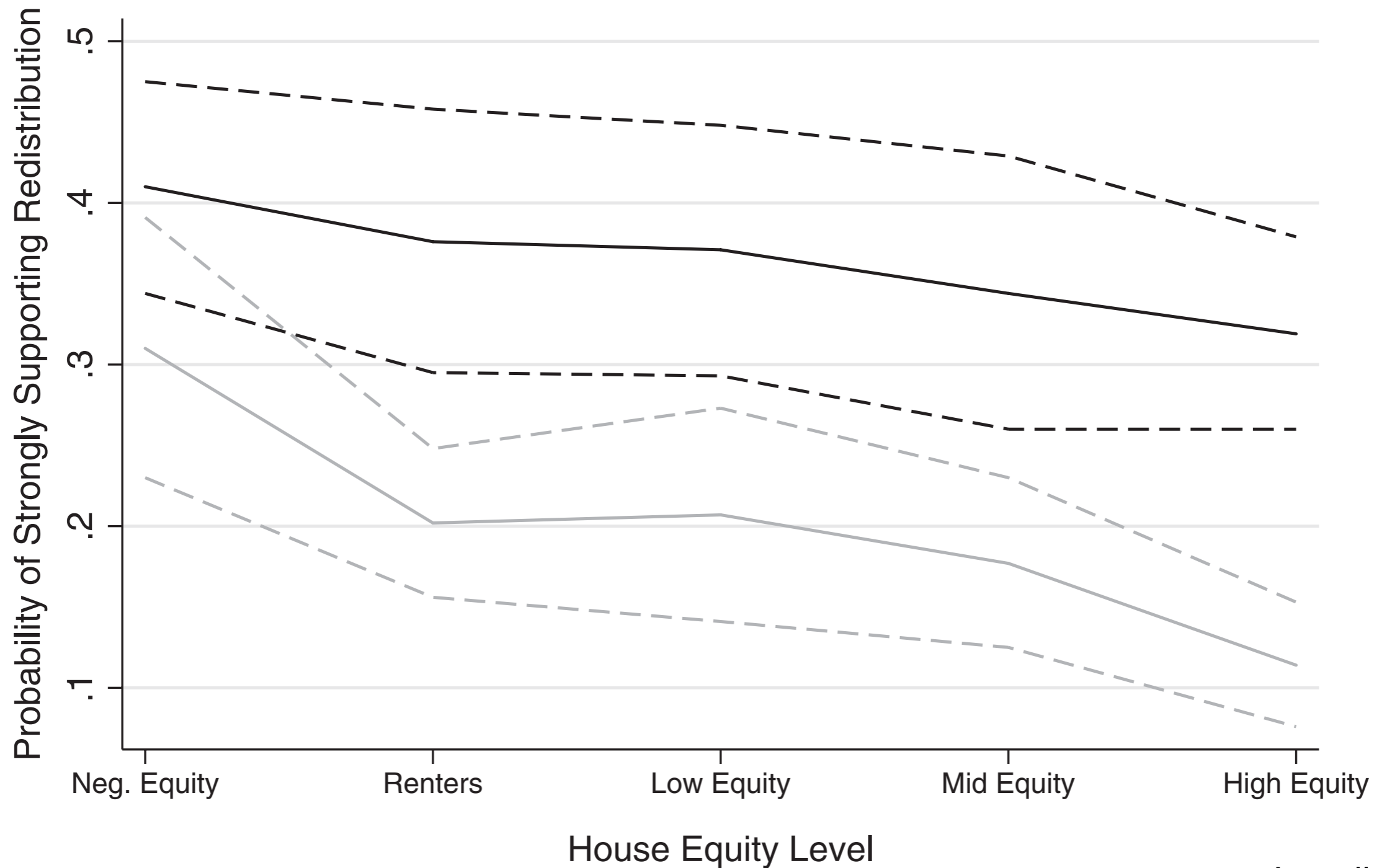
Overall there is a 'right-wing' effect on redistributive preferences from house price increases?

But it is substantially stronger among individuals who already identify with the political right.

This result appears in UK, US, and cross-national data.

Parallel with Margalit (2013) finding that right-wing voters change preferences when they lose their jobs.

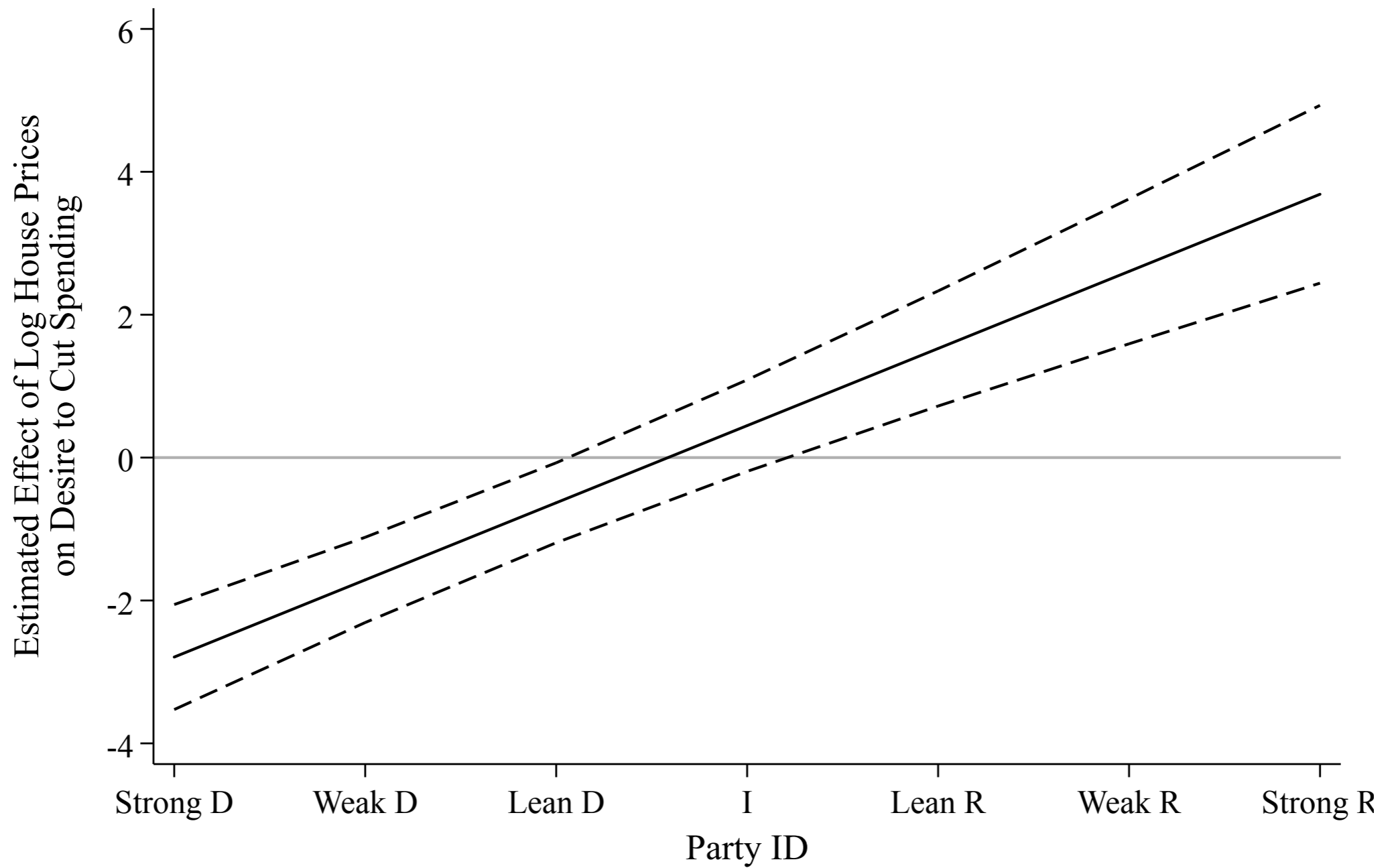
ISSP REDISTRIBUTION



Grey: Right Wing; Black: Non Right Wing

Ansell, 2014

US 2016 ELECTION

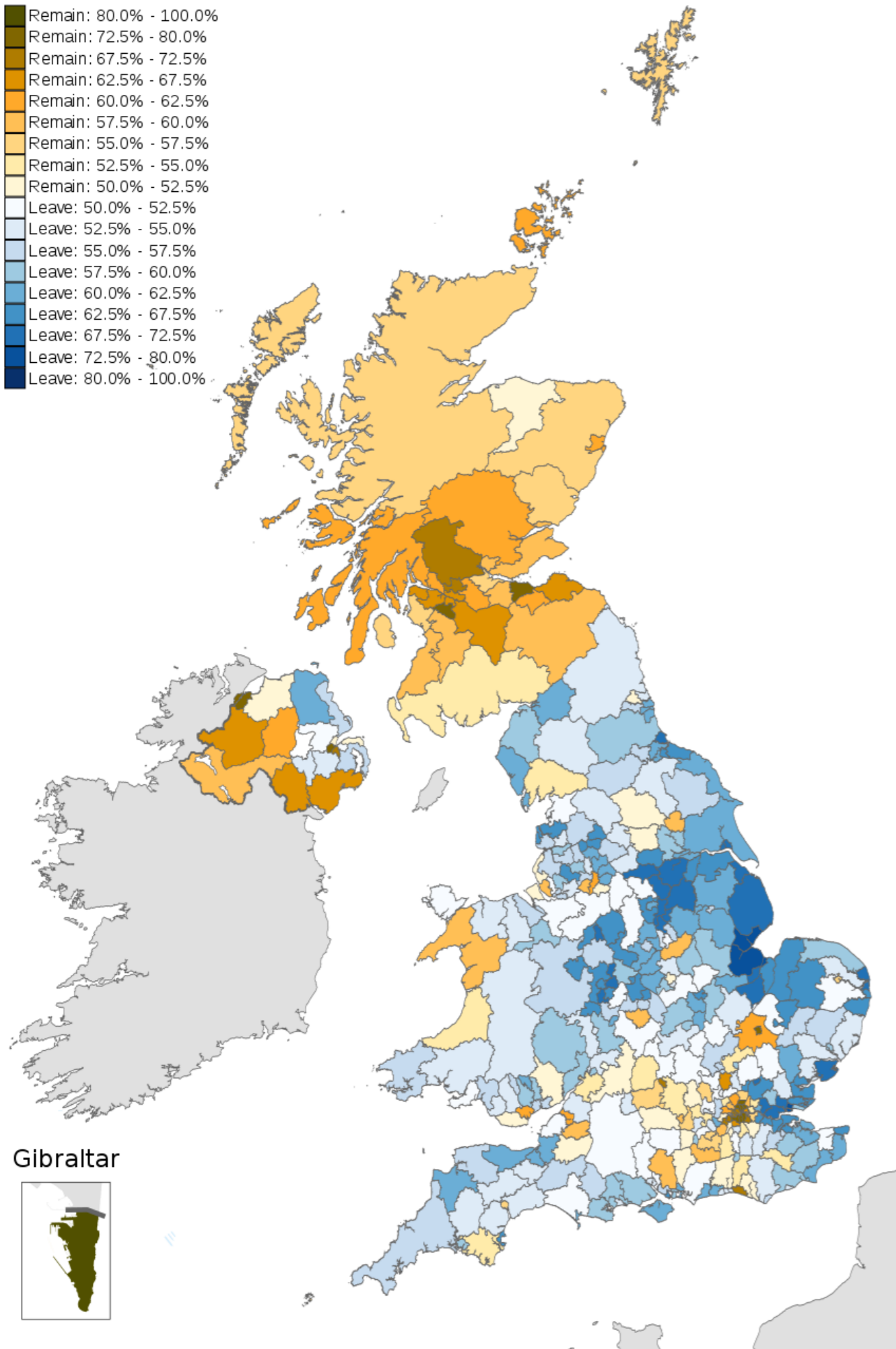


3. WEALTH INEQUALITY & POPULISM

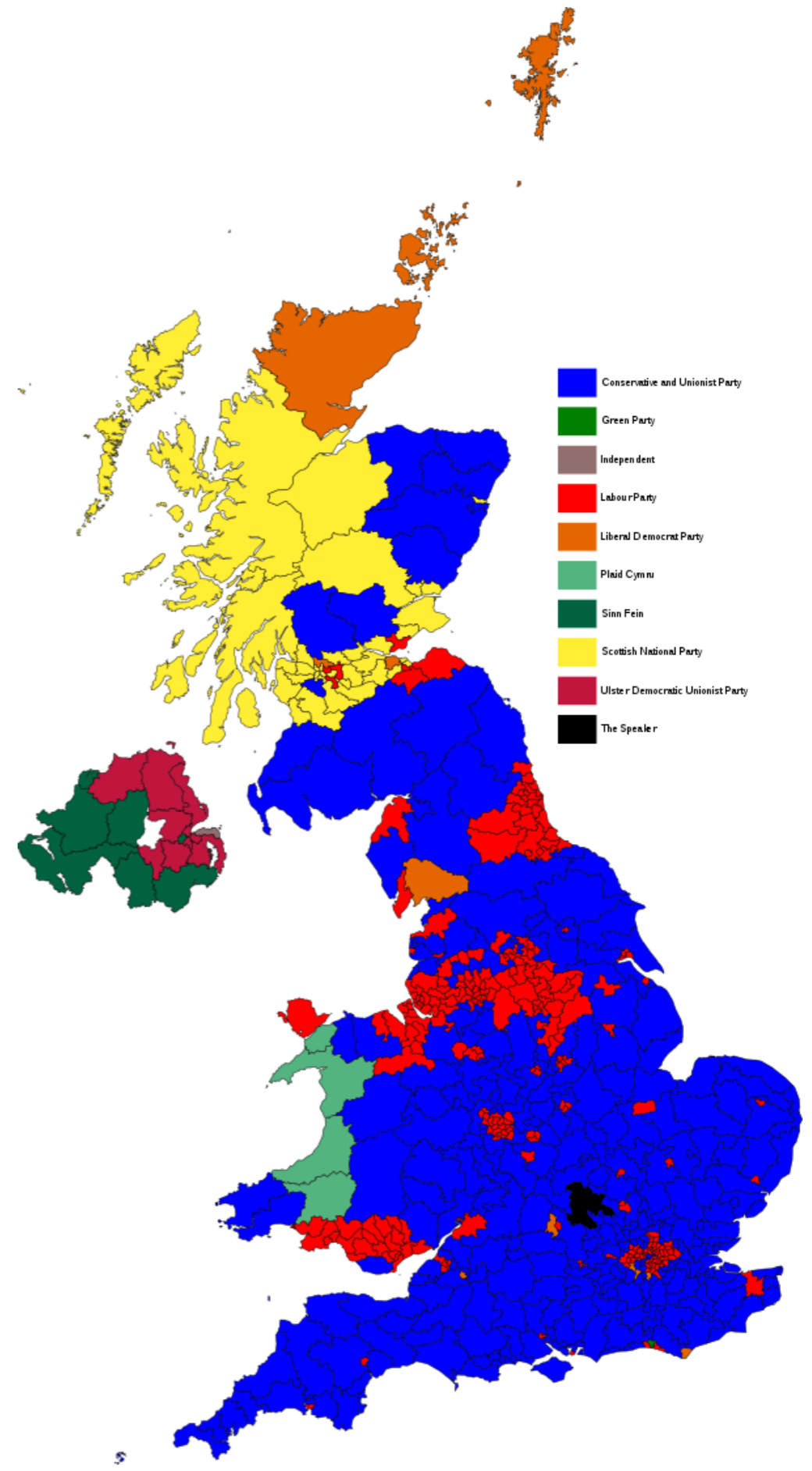
BREXIT



- Remain: 80.0% - 100.0%
- Remain: 72.5% - 80.0%
- Remain: 67.5% - 72.5%
- Remain: 62.5% - 67.5%
- Remain: 60.0% - 62.5%
- Remain: 57.5% - 60.0%
- Remain: 55.0% - 57.5%
- Remain: 52.5% - 55.0%
- Remain: 50.0% - 52.5%
- Leave: 50.0% - 52.5%
- Leave: 52.5% - 55.0%
- Leave: 55.0% - 57.5%
- Leave: 57.5% - 60.0%
- Leave: 60.0% - 62.5%
- Leave: 62.5% - 67.5%
- Leave: 67.5% - 72.5%
- Leave: 72.5% - 80.0%
- Leave: 80.0% - 100.0%



Gibraltar



- Conservative and Unionist Party
- Green Party
- Independent
- Labour Party
- Liberal Democrat Party
- Plaid Cymru
- Sinn Fein
- Scottish National Party
- Ulster Democratic Unionist Party
- The Speaker

HOUSE PRICES AS PREDICTOR

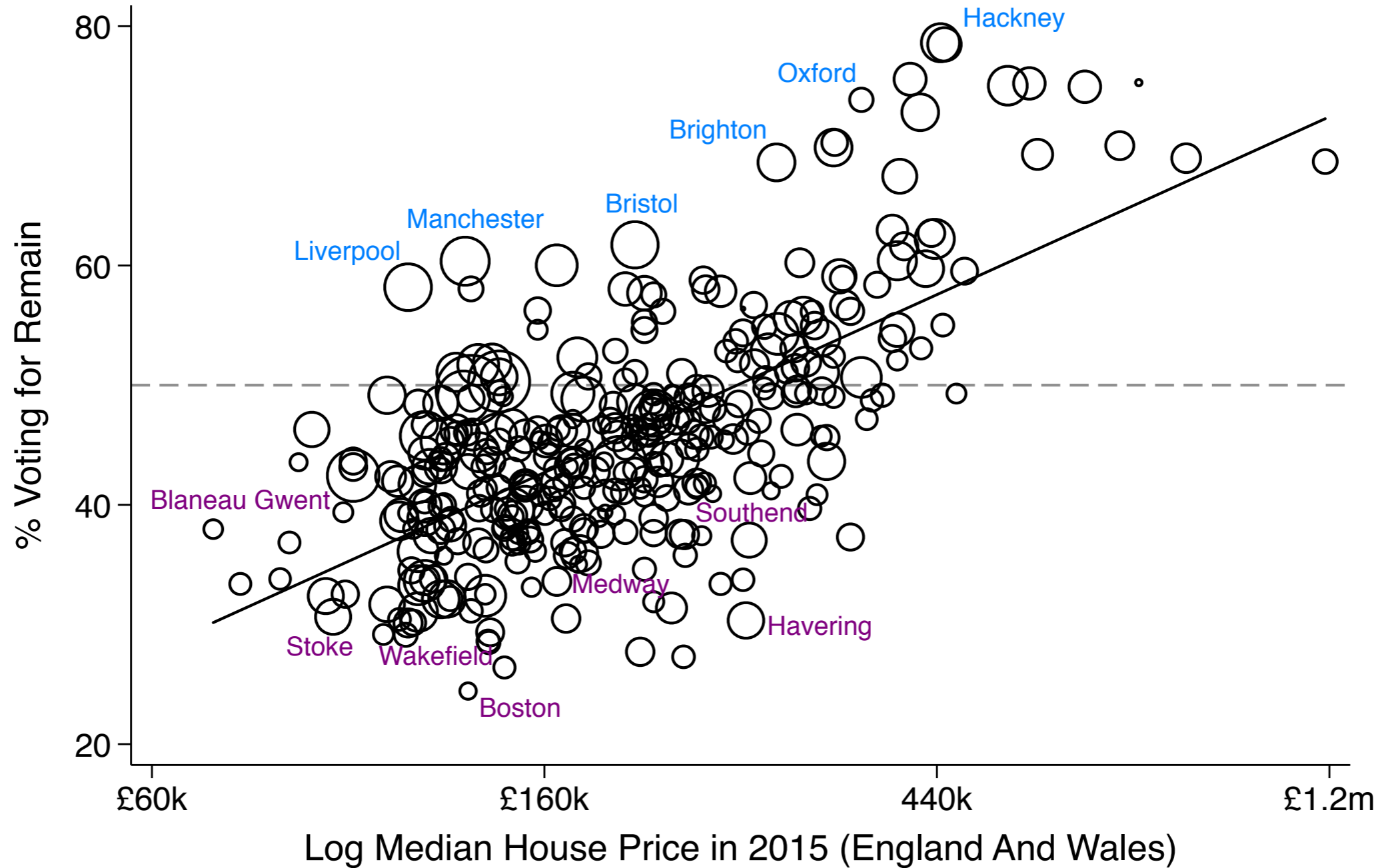
Brexit exposed underlying divides across regions and demographics that cut across party lines. David Goodhart's 'Somewheres' and 'Anywheres'. Places with lower house prices attracted to Brexit.

I use Land Registry data on the sales price for *every* real estate transaction since 1996 at Local Authority District (50,000-250,000 people) and ward level (5-10,000).

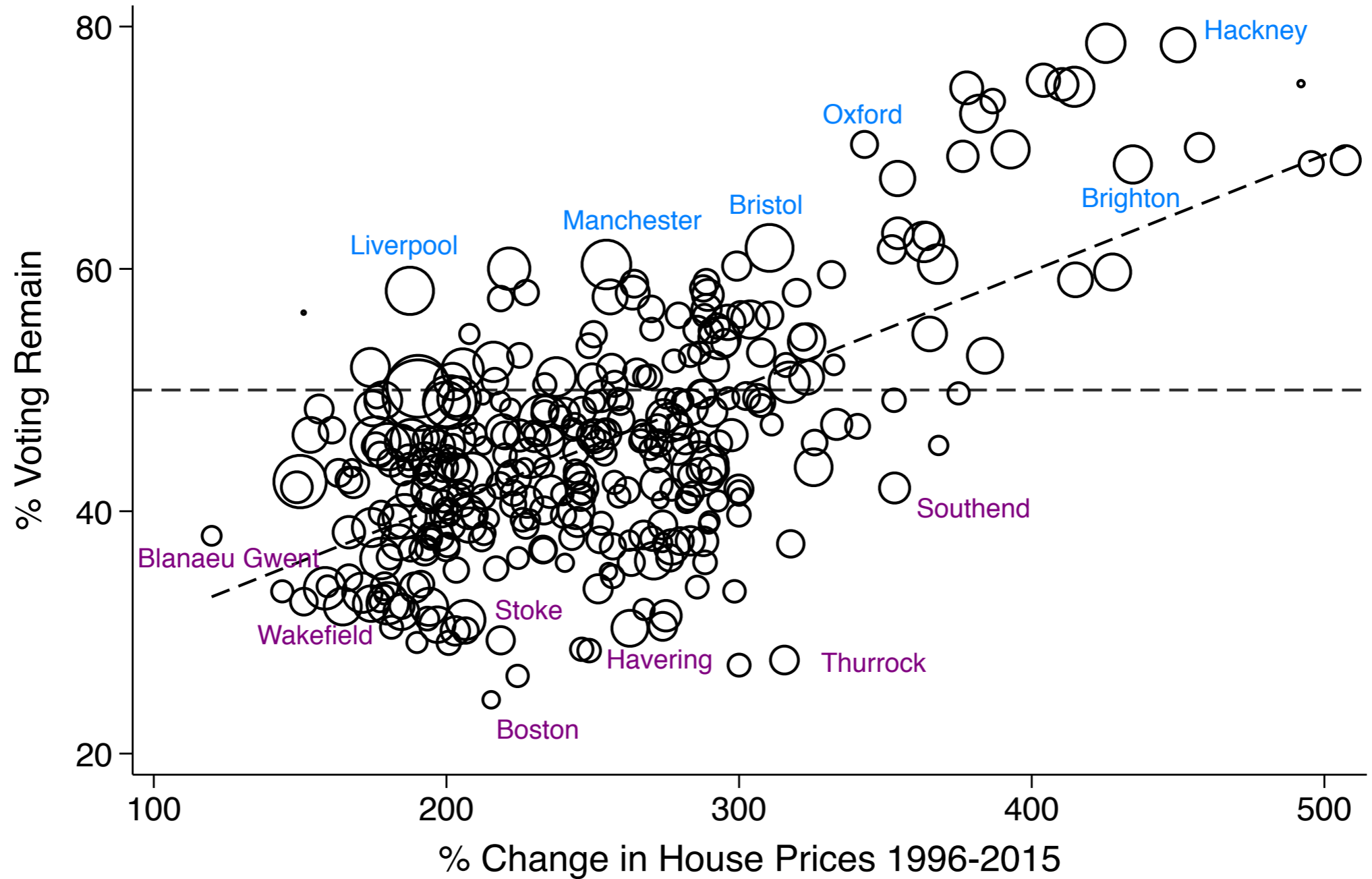
Matched to Remain vote at LAD. Also some ward counts.

Use British Election Study data to match individuals by homeownership status to their LAD and Brexit intention.

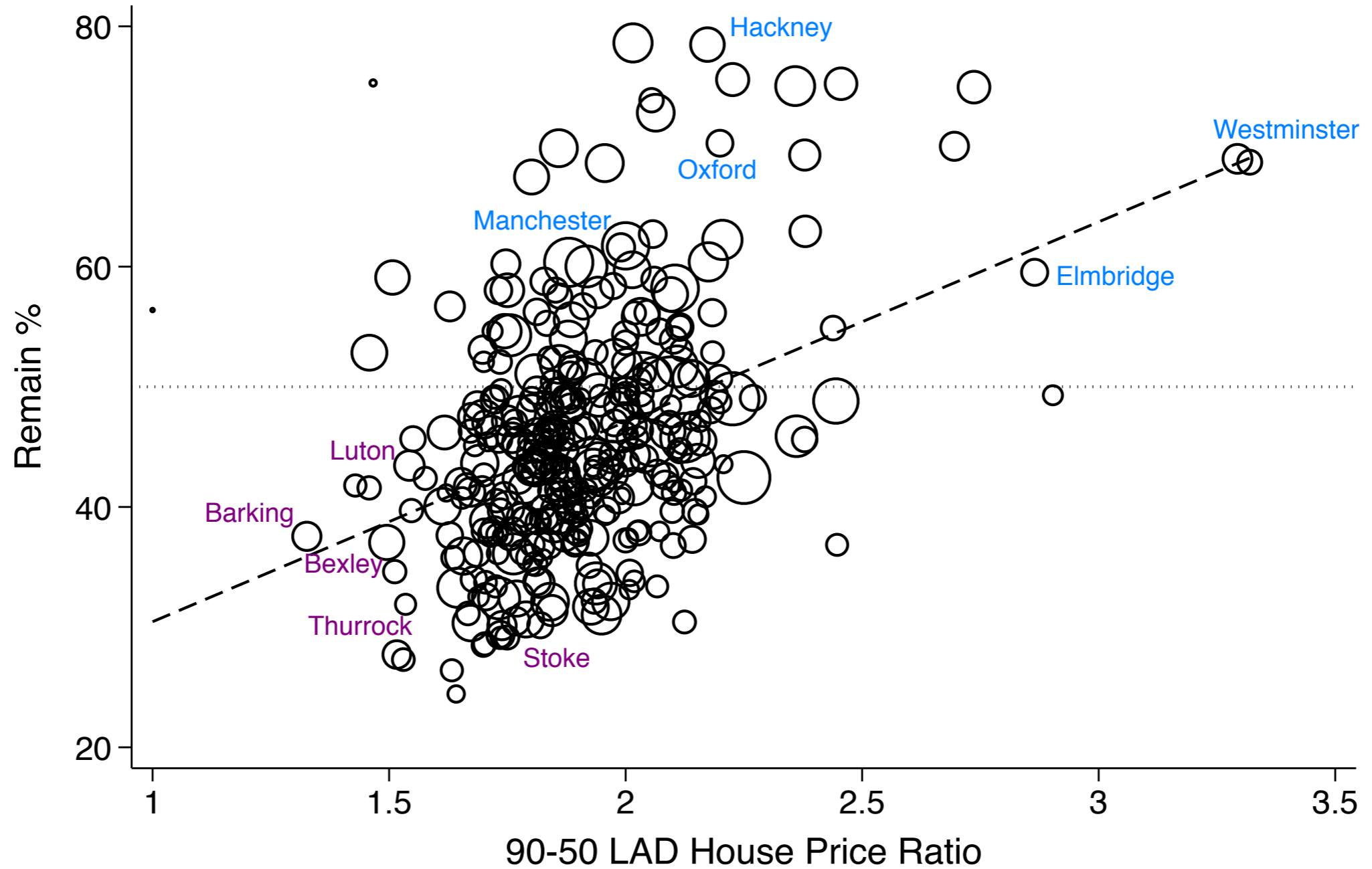
HOUSE PRICES

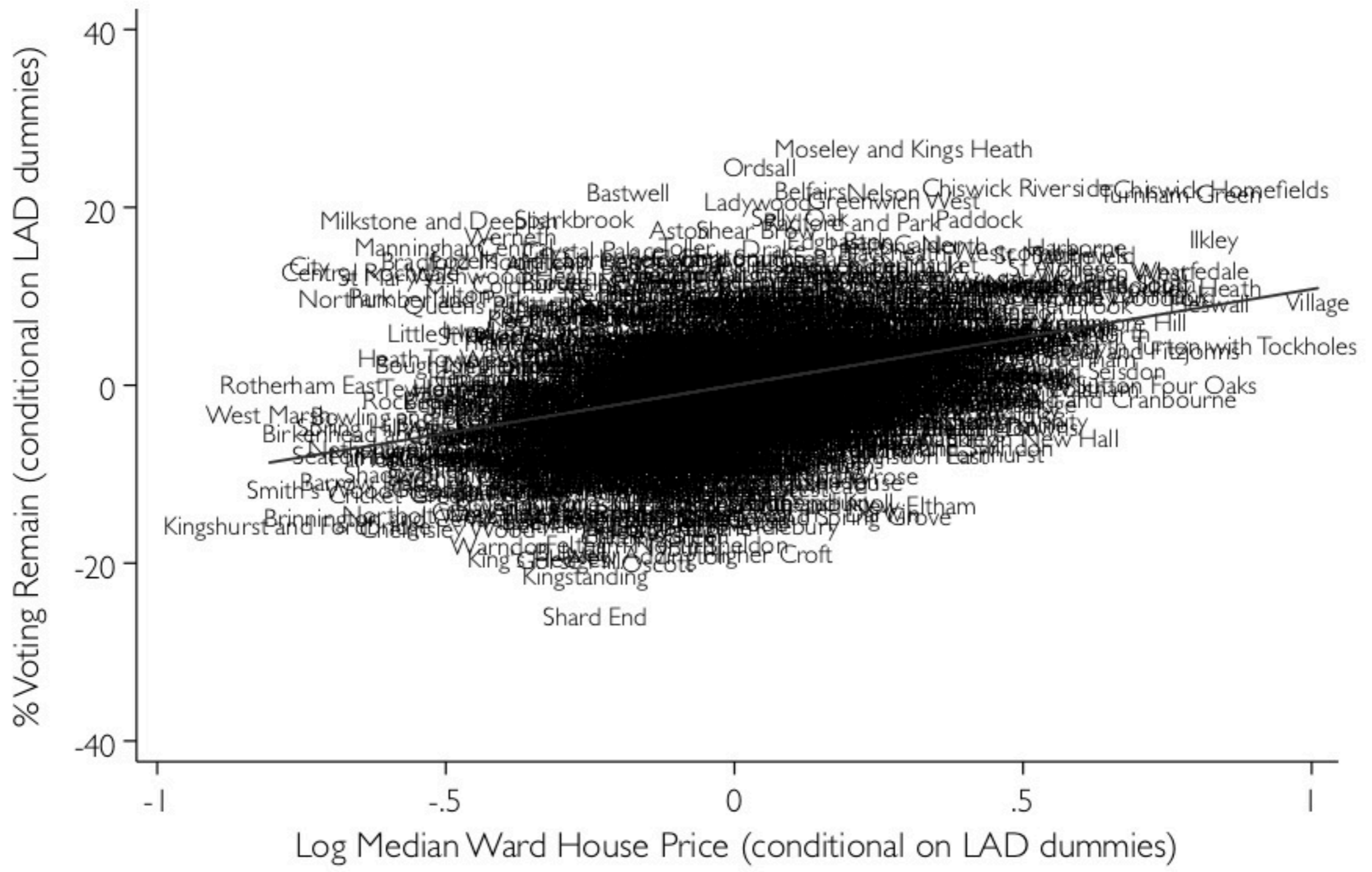


PRICE CHANGES

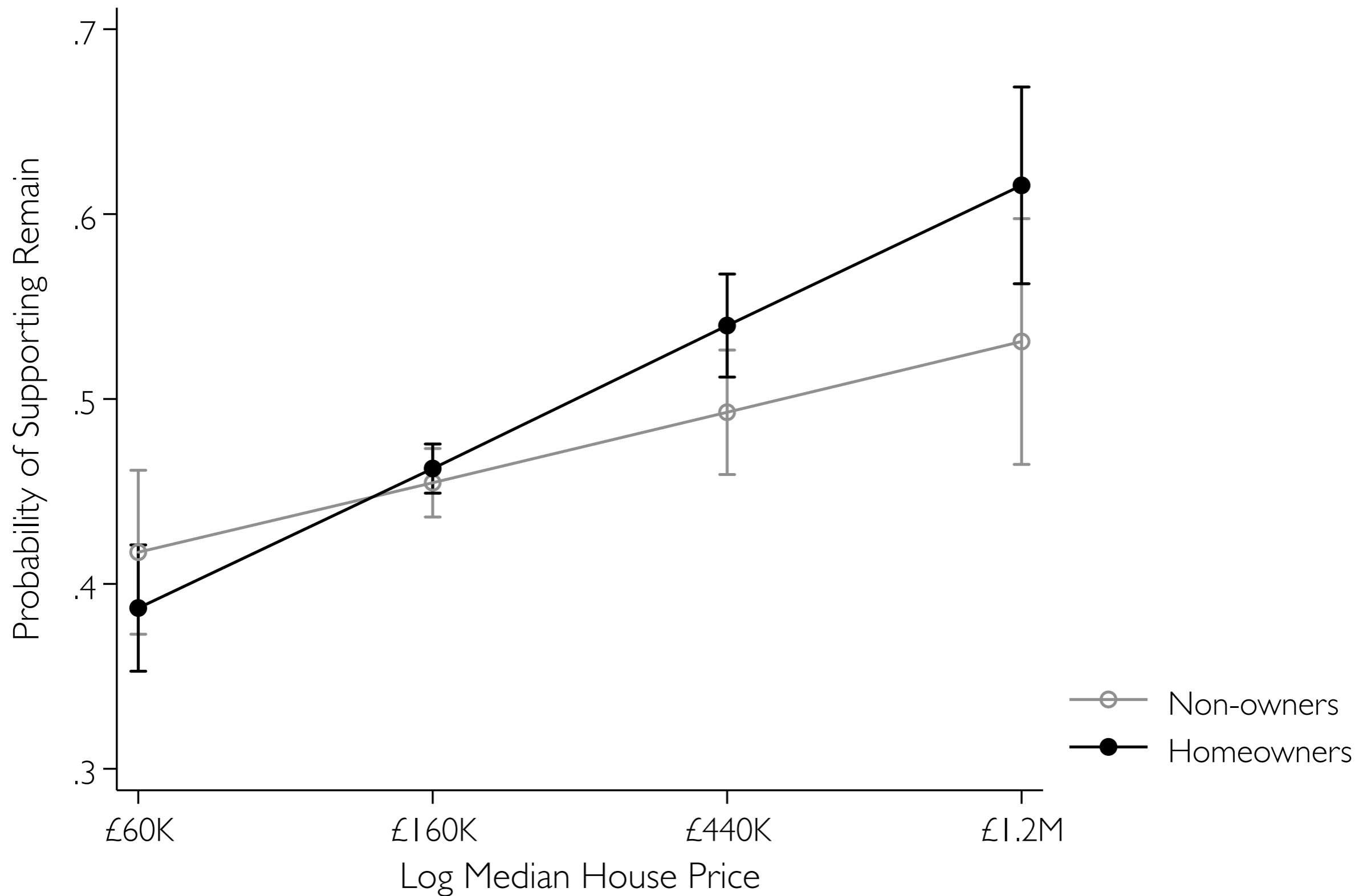


90-50 RATIO





BRITISH ELECTION STUDY 2016



TRUMP VS ROMNEY

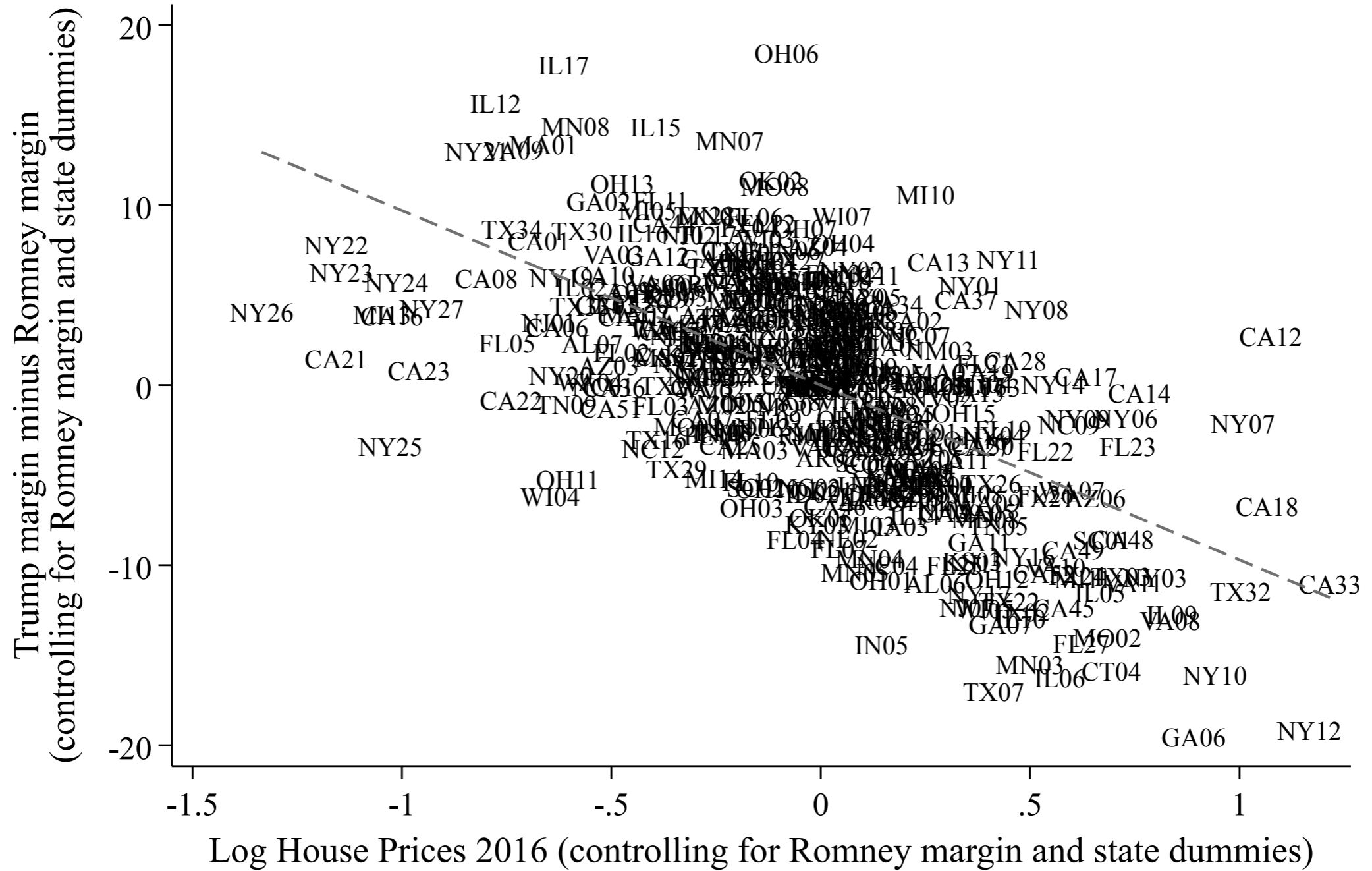
CCES 2016 data codes individuals by zip-code.

Match 5 digit zip-code to Zillow 'Zestimates' of single family house prices in 2016 and change since 2001.

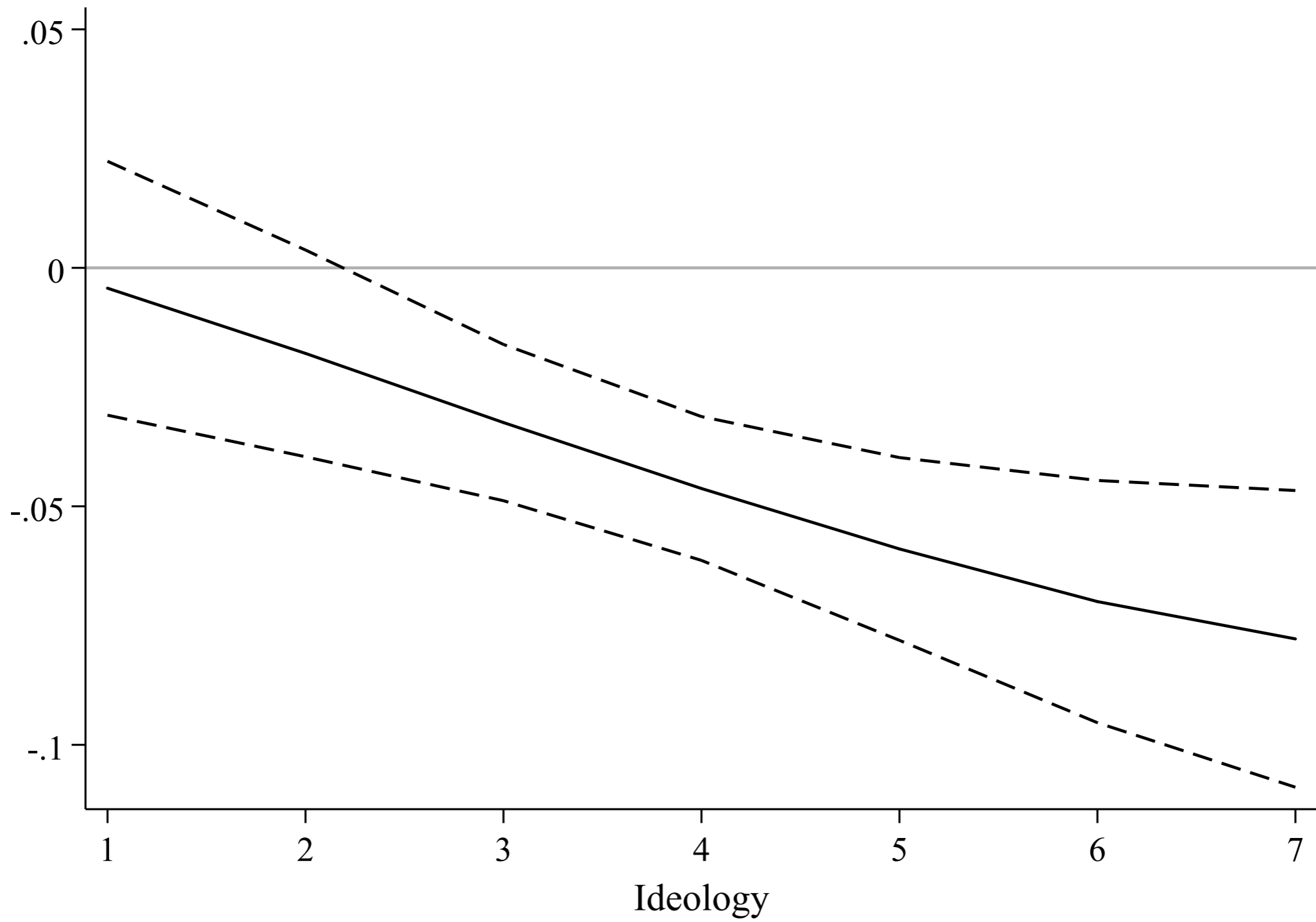
Can see effect of 'place' at both individual level and at more aggregated Congressional District level.

Lower house price levels produce more relative support for Trump. Effect concentrated among more conservative voters.

DISTRICTS



Marginal Effect of Log 2016 House Prices
on Support for Donald Trump

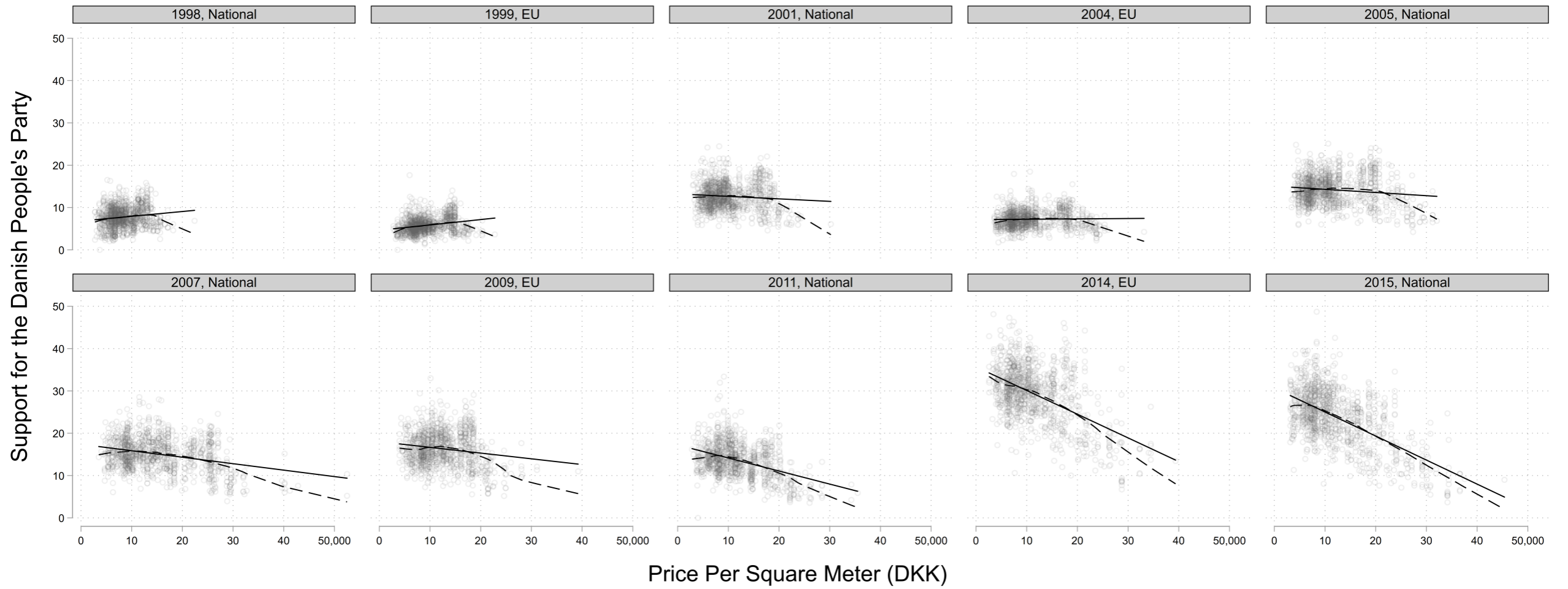


DENMARK & SWEDEN

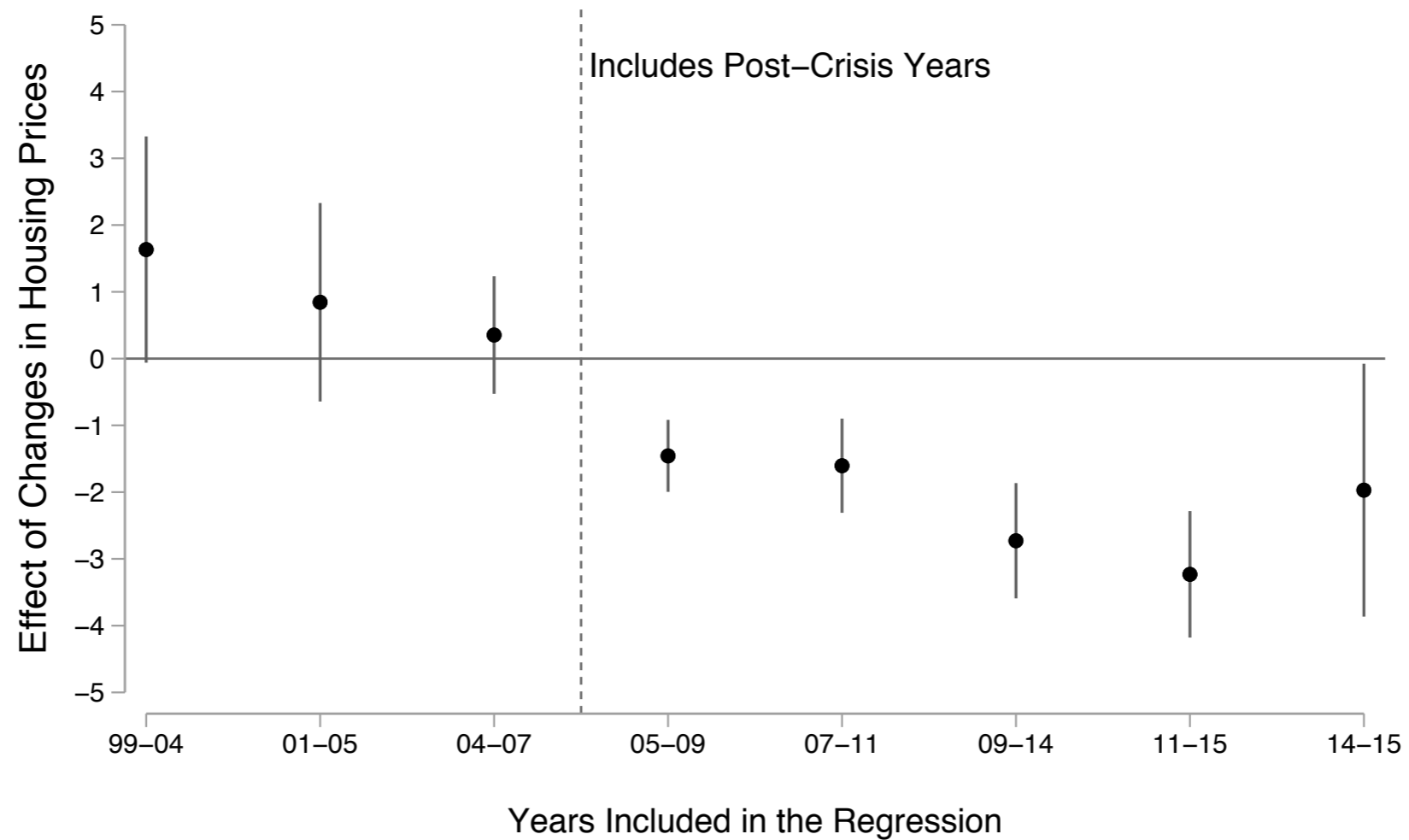
With Frederik Hjorth, Jacob Nyrup, and Martin Vinaes Larsen, I use Danish registry data to examine house prices and (change in) support for Danish People's Party at very low level of aggregation (precinct).

Here we examine election to election changes in voting and match to local house price changes, using a first difference model with precinct fixed effects to capture local trends.

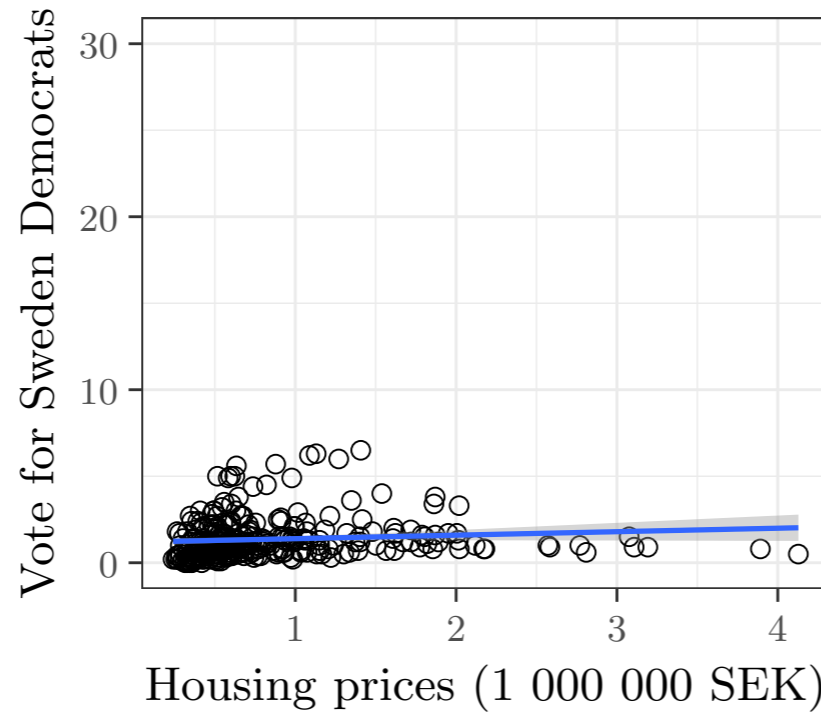
Also extending this to Sweden (and Finland and Norway)



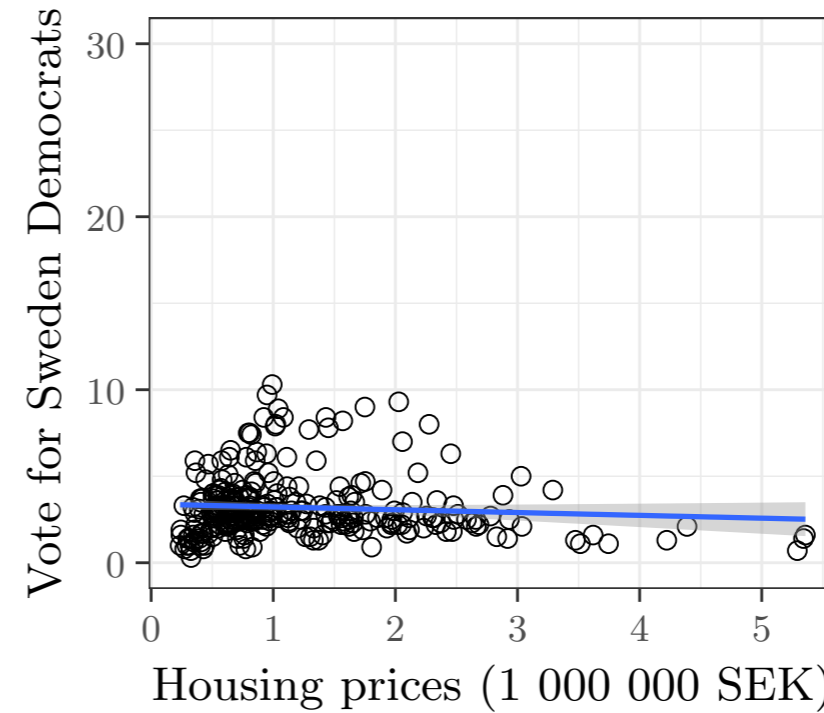
	(1)	(2)	(3)	(4)	(5)
Housing Prices (DKK 10,000)	-1.7*	-1.8*	-1.8*	-1.6*	-1.6*
	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Labor Market Controls					✓
Economic Controls				✓	✓
Immigration Control			✓	✓	✓
Urbanization Controls		✓	✓	✓	✓
Year FE	✓	✓	✓	✓	✓
Precinct Trend FE	✓	✓	✓	✓	✓
Observations	9788	9722	9722	9722	9722



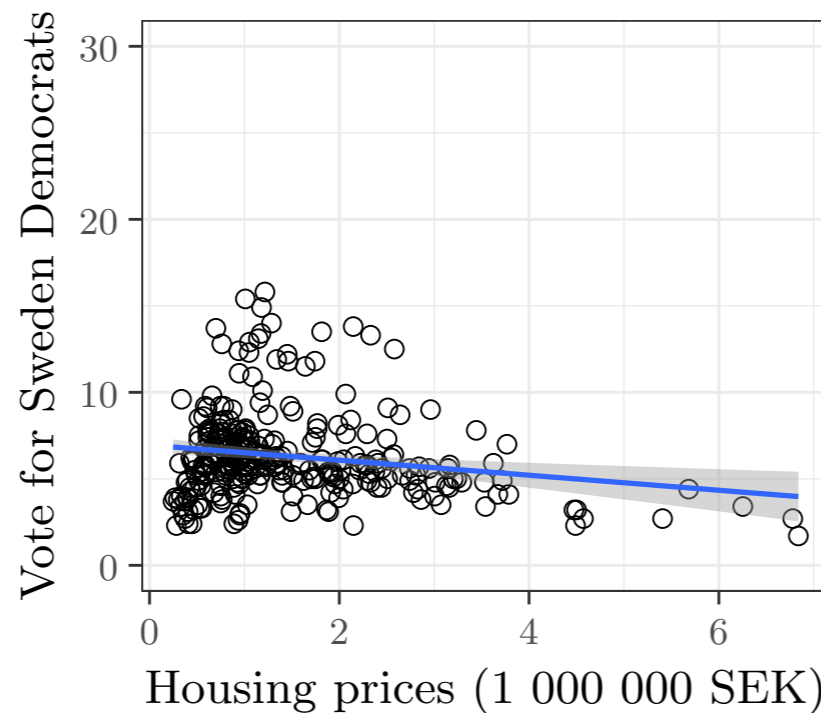
Year: 2002 Adj R2 = 0.0070703
Slope = 0.20146 P = 0.08177



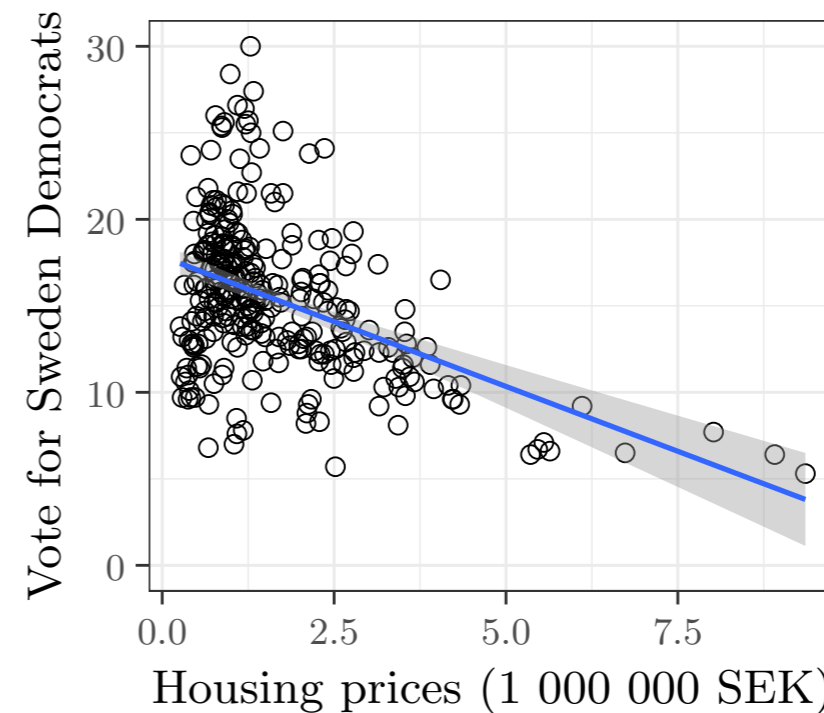
Year: 2006 Adj R2 = 0.0032109
Slope = -0.16254 P = 0.16573



Year: 2010 Adj R2 = 0.032367
Slope = -0.43478 P = 0.0012224



Year: 2014 Adj R2 = 0.20057
Slope = -1.5004 P = 6.2463e-16



POPULISM & HOUSING

In UK, USA, Denmark and Sweden we consistently see relationship between local house prices and support for (or opposition to!) populist policies, parties and candidates.

Is this a new phenomenon? Could be legacy of Great Recession.

Why are economic factors 'bleeding into' cultural preferences? Similar logic to Fetzer (2018) - locally differentiated economic effects connect to open-closed politics.