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# Democracy Redistribution And Inequality Santa Fe Institute

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Redistribution  
Unequal Democracy  
Democracy, Redistribution and Inequality  
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## ALENA CRUZ

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### The New Economics of Inequality and Redistribution

Cambridge  
University  
Press

In this paper we revisit the relationship between democracy, redistribution and inequality. We first explain the theoretical reasons why democracy is expected to increase redistribution and reduce inequality, and why this expectation

may fail to be realized when democracy is captured by the richer segments of the population; when it caters to the preferences of the middle class; or when it opens up disequalizing opportunities to segments of the population previously excluded from such activities, thus exacerbating inequality among a large part of the population. We then survey the existing empirical

literature, which is both voluminous and full of contradictory results. We provide new and systematic reduced-form evidence on the dynamic impact of democracy on various outcomes. Our findings indicate that there is a significant and robust effect of democracy on tax revenues as a fraction of GDP, but no robust impact on inequality. We also find that democracy is associated

with an increase in secondary schooling and a more rapid structural transformation . Finally, we provide some evidence suggesting that inequality tends to increase after democratization when the economy has already undergone significant structural transformation , when land inequality is high, and when the gap between the middle class and the poor is small. All of these are broadly

consistent with a view that is different from the traditional median voter model of democratic redistribution: democracy does not lead to a uniform decline in post-tax inequality, but can result in changes in fiscal redistribution and economic structure that have ambiguous effects on inequality. Keywords: democracy, education, inequality, political development, redistribution,

structural transformation . JEL Classification: P16, O10 . Economic Limits on "rational" Democratic Redistribution Princeton University Press This data-driven book offers insight into the fallacy of widespread opportunity, the fate of the middle class, and the mechanisms that perpetuate income disparity. Unequal Democracy Oxford University

Press  
While under the communist regime, states in Eastern Europe and Central Asia shared similarly low levels of income inequality. When the regime collapsed, levels began to rise and vary substantially across countries. While many of the Central and Eastern European countries managed to maintain low levels of inequality, many of the

former Soviet Union countries in Eurasia became fairly unequal. In this dissertation, I ask: What explains the variation in levels of inequality across former communist countries since communism's collapse?. In answering this question, I pay particular attention to the varying levels of redistribution across former communist countries. While states in Central and Eastern

Europe typically have lower levels of net (post-tax, post-transfer) inequality than former Soviet Union countries, they do not have lower levels of market (pre-tax, pre-transfer) inequality. The variation in redistributive policies across states is consequently a key factor explaining the variation in levels of income inequality that citizens experience. I argue that Central and Eastern

European states maintained fairly low levels of inequality throughout the market transition because their democratic governance structure motivated higher levels of income redistribution. Democracy shapes both the demand for and supply of redistribution. In using large-N cross-national survey data, I find that democratic institutions significantly shape

people's perceptions of distributional fairness. In particular, a free media makes people more critical of the notion that the path to economic success is fair. People's perceptions of whether success is fair in turn significantly shape their demand for income redistribution. I therefore argue that democracy indirectly shapes the demand for distribution by affecting the way people perceive some

aspects of distributional fairness. Using a time series, cross-sectional analysis, I also find that democracy significantly shapes the supply of redistributive policies. Several features of the democratic political system are necessary for high levels of redistribution. However, although democracy is associated with higher levels of redistribution, I also argue democratization is just one

part of the complex story explaining inequality dynamics in the post-communist context. It combines with other factors in facilitating lower levels of inequality. Democracy, Redistribution and Inequality Cambridge University Press This is a book about redistribution and inequality in political unions, a form of democracy that involves several levels of government and that encompasses about one

third of the population living under democracy around the world. The analysis concerns how different unions solve the tension between the protection of autonomy for specific territories and the redistribution of wealth among them and among their citizens. A Little Fairness May Induce a Lot of Redistribution in Democracy World Bank Publications Employing analytical

tools borrowed from game theory, Carles Boix offers a complete theory of political transitions, in which political regimes ultimately hinge on the nature of economic assets, their distribution among individuals, and the balance of power among different social groups. Backed up by detailed historical work and extensive statistical analysis that goes back to the mid-

nineteenth century, this book explains, among many other things, why democracy emerged in classical Athens. It also discusses the early triumph of democracy in both nineteenth-century agrarian Norway, Switzerland and northeastern America and the failure in countries with a powerful landowning class.

**The New Economic Populism**  
Cambridge University

Press  
Introduces the latest research on political inequality and its relationship to economic inequalities in North America and Western Europe.  
*Income Redistribution, Inequality and Democracy*  
Cambridge University Press  
Donald Trump's 2016 victory shocked the world, but his appeals to the economic discontent of the white working class should not be so surprising, as stagnant

wages for the many have been matched with skyrocketing incomes for the few. Though Trump received high levels of support from the white working class, once in office, the newly elected billionaire president appointed a cabinet with a net worth greater than one-third of American households combined. Furthermore, he pursued traditionally conservative tax, welfare state and



regulatory policies, which are likely to make economic disparities worse. Nevertheless, income inequality has grown over the last few decades almost regardless of who is elected to the presidency and congress. There is a growing consensus among scholars that one of the biggest drivers of income inequality in the United States is government

activity (or inactivity). Just as the New Deal and Great Society programs played a key role in leveling income distribution from the 1930s through the 1970s, federal policy since then has contributed to expanding inequality. Growing inequality bolsters the resources of the wealthy leading to greater influence over policy, and it contributes to partisan polarization. Both prevent the passage of

policy to address inequality, creating a continuous feedback loop of growing inequality. The authors of this book argue that it is therefore misguided to look to the federal government, as citizens have tended to do since the New Deal, to lead on economic policy to "fix" inequality. In fact, they argue that throughout American history, during periods of rapid economic

change the federal government has been stymied by the federal institutional design created by the Constitution. The winners of economic change have taken advantage of veto points to prevent change that would address the problems experienced by the losers of major economic change. Even the New Deal, in many ways the model of federal policy activism, was largely borrowed from

policies created in the state "laboratories of democracy" in the preceding years and decades. The authors argue that in the current crisis of growing inequality we are seeing a similar dynamic and demonstrate that many states are actively addressing economic inequality. William Franko and Christopher Witko argue that the states that will address inequality are

not necessarily those with the greatest objective inequality, but those where citizens are aware of growing inequality, where left-leaning politicians hold power, where unions are strong, and where the presence of direct democracy allow for more majoritarian public policy outcomes. In the empirical chapters Franko and Witko examine how these factors have shaped

policies that boosted incomes at the bottom (the minimum wage and the Earned Income Tax Credit) and reduce incomes at the top (with top marginal tax rates) between 1987 and 2010. The authors argue that, if history is a guide, increasingly egalitarian policies at the state level will spread to other states and, eventually, to the federal level, setting the stage for a more equitable

future.  
**Justice Is an Option**  
Routledge  
Michael Wallerstein was a leader in developing a rigorous comparative political economy approach to understanding substantive issues of inequality, redistribution, and wage-determination. His early death from cancer left both a hole in the profession and a legacy that will surely provide the foundation for research on these topics. This volume

collects his most important and influential contributions, organized by topic, with each topic preceded by an editorial introduction that provides overview and context. Democracy and Income Inequality JHU Press  
We use a model of self-centered inequality aversion suggested by Fehr and Schmidt (1999) to study voting on redistribution. We theoretically

identify two classes of conditions when an empirically plausible amount of fairness preferences induces redistribution through referenda. We test the predictions of the adapted inequality aversion model in a simple redistribution experiment, and find that it predicts voting outcomes far better than the standard model of voting assuming rationality and

strict self-interest. [Inequality and American Democracy](#)  
Penn State Press  
There is an intensive dispute in political economics about the impact of institutions on income redistribution. While the main focus is on comparison between different forms of representative democracy, the influence of direct democracy on redistribution has attracted much less attention.

According to theoretical arguments and previous empirical results, government policies of income redistribution are expected to be more in line with median voter preferences in direct than in representative democracies. In this paper, we find that institutions of direct democracy are associated with lower public spending and revenue, particularly lower welfare spending and broad-based

income and property (wealth) tax revenue. Moreover, we estimate a model which explains the determinants of redistribution using panel data provided by the Swiss Federal Tax Office from 1981 to 1997 and a cross section of (representative) individual data from 1992. While our results indicate that less public funds are used to redistribute income and actual redistribution

is lower, inequality is not reduced to a lesser extent in direct than in representative democracies for a given initial income distribution. This finding might well indicate the presence of efficiency gains in redistribution policies. Inequality Across Transition Countries Cambridge University Press "Examines patterns of income inequality among 16 advanced

democracies from the mid 1970s to the early 2000s and explains why some societies have a large and growing divide between the rich and the poor while others, facing similar global economic pressures, maintain more egalitarian income distributions"-- Provided by publisher. **Essays on Democracy, Redistribution, and Inequality** Russell Sage Foundation "The data strongly support the

<p>hypothesis that countries with more unequal distribution of factor income redistribute more in favor of the poor-- even when the analysis controls for older people's share in total population (that is, for pension transfers). But the evidence on the median voter hypothesis is inconclusive even if middle-income groups gain more (or lose less) through redistribution in countries where initial (factor)</p>	<p>income distribution is more unequal"-- Cover. <u>The Politics of Place and the Limits of Redistribution</u> Cambridge University Press "This book answers why democracy has failed to deliver effective solutions to income inequality problems over the last four decades, and if democracy can offer solutions to various increases in inequality in the future. It also addresses</p>	<p>what elements are necessary for democracy to serve as an effective alternative for addressing inequality issues. Historical experiences over the past 40 years, including the global financial crisis, not only underscore the need for fresh perspectives on income inequality in economics but also question the ability of democracy to continue providing alternatives for addressing the escalating</p>
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forms of inequality. Seo and Kang's response to these inquiries diverge from conventional research in several significant ways. Primarily, what sets this research apart from existing studies is its intensified focus on income inequality as a product of the complex interplay between the political and economic domains, rather than a standalone examination of income inequality in

isolation. Through a political economy perspective, this book argues that income inequality and income redistribution are shaped by the institutions, policies, and laws generated by the political system, with their formation and nature being determined by the power distribution among socio-political groups. A useful resource not only to researchers

who study political phenomena in the field of economics, but also to scholars who study economic phenomena in the field of politics. Furthermore, it will be particularly intriguing for policymakers concerned with issues of inequality and income redistribution" -- Democratic Redistribution and the Rule of the Majority Russell Sage Foundation Ideology, as proxied by a country's

dominant religion, seems to be related to inequality. In Judeo-Christian societies increased democratization appears to lead to lower inequality; in Muslim and Confucian societies it has an insignificant effect. One reason for this difference may be that Muslim and Confucian societies rely on informal transfers to reach the desired level of inequality, while Judeo-Christian societies, where family ties are weaker, use political action. Standard political economy theories suggest that democratization has a moderating effect on income inequality. But the empirical literature has failed to uncover any such robust relationship. Gradstein, Milanovic, and Ying take another look at the issue. The authors argue that prevailing ideology may be an important determinant of inequality and that the democratization effect "works through" ideology. In societies that value equality highly there is less distributional conflict among income groups, so democratization may have only a negligible effect on inequality. But in societies that value equality less, democratization reduces inequality through redistribution



as the poor outvote the rich. The authors' cross-country empirical analysis, covering 126 countries in 1960-98, confirms the hypothesis: ideology, as proxied by a country's dominant religion, seems to be related to inequality. In addition, while in Judeo-Christian societies increased democratization appears to lead to lower inequality, in Muslim and Confucian societies it

has an insignificant effect. The authors hypothesize that Muslim and Confucian societies rely on informal transfers to reach the desired level of inequality, while Judeo-Christian societies, where family ties are weaker, use political action. This paper - a product of Poverty and Human Resources, Development Research Group - is part of a larger effort in the group to study

inequality and income redistribution. The study was funded by the Bank's Research Support Budget under the research projects "Democracy, Redistribution, and Inequality" (RPO 683-01) and "Deriving World Income Distribution in 1988 and 1993" (RPO 683-68). Democracy and Redistribution University of Chicago Press In Whither Opportunity?, a team of economists, sociologists,

and experts in social and education policy examines the corrosive effects of unequal family resources, disadvantaged neighborhoods, insecure labor markets, and worsening school conditions on K-12 education. This groundbreaking book illuminates the ways rising inequality is undermining the ability of schools to provide children with an equal chance at

academic and economic success. Whither Opportunity? shows that from earliest childhood, parental investments in children's learning affect reading, math, and other attainments later in life. Contributor Meredith Phillip finds that between birth and age six, wealthier children spend significantly more time than poor children on child enrichment activities such as music lessons,

travel, and summer camp. Greg Duncan, George Farkas, and Katherine Magnuson demonstrate that a child from a poor family is two to four times as likely as a child from an affluent family to have classmates with low skills and behavior problems. As a result of such disparities, contributor Sean Reardon finds that the gap between rich and poor children's achievement scores is now

much larger than it was 50 years ago. Such income-based gaps persist across the school years, as Martha Bailey and Sue Dynarski document in their chapter on the growing income-based gap in college completion. *Whither Opportunity?* also reveals the profound impact of environmental factors on children's educational progress. Elizabeth Ananat, Anna Gassman-Pines, and

Christina Gibson-Davis show that local job losses such as those caused by plant closings can lower the test scores of students with low socioeconomic status, even students whose parents have not lost their jobs. And David Kirk and Robert Sampson show that teacher commitment, parental involvement, and student achievement in schools in high-crime neighborhoods all tend to

be low. *Does Liberty* Cambridge University Press An acclaimed examination of how the American political system favors the wealthy—now fully revised and expanded The first edition of *Unequal Democracy* was an instant classic, shattering illusions about American democracy and spurring scholarly and popular interest in the political causes and consequences

of escalating economic inequality. This revised, updated, and expanded second edition includes two new chapters on the political economy of the Obama era. One presents the Great Recession as a "stress test" of the American political system by analyzing the 2008 election and the impact of Barack Obama's "New New Deal" on the economic fortunes of the rich, middle class, and poor. The

other assesses the politics of inequality in the wake of the Occupy Wall Street movement, the 2012 election, and the partisan gridlock of Obama's second term. Larry Bartels offers a sobering account of the barriers to change posed by partisan ideologies and the political power of the wealthy. He also provides new analyses of tax policy, partisan differences in economic performance, the struggle to

raise the minimum wage, and inequalities in congressional representation. President Obama identified inequality as "the defining challenge of our time." *Unequal Democracy* is the definitive account of how and why our political system has failed to rise to that challenge. Now more than ever, this is a book every American needs to read. *The Inclusionary Turn in Latin*

*American Democracies* United Nations Publications The first edition of *Unequal Democracy* was an instant classic, shattering illusions about American democracy and spurring scholarly and popular interest in the political causes and consequences of escalating economic inequality. This revised and expanded edition includes two new chapters on the political economy of the Obama era. One presents the Great Recession as a "stress test" of the American political system by analyzing the 2008 election and the impact of Barack Obama's "New Deal" on the economic fortunes of the rich, middle class, and poor. The other assesses the politics of inequality in the wake of the Occupy Wall Street movement, the 2012 election, and the partisan gridlock of Obama's second term. Larry Bartels offers a sobering account of the barriers to change posed by partisan ideologies and the political power of the wealthy. He also provides new analyses of tax policy, partisan differences in economic performance, the struggle to raise the minimum wage, and inequalities in congressional representation. President Obama identified inequality as "the defining challenge of

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 Unequal  
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 the definitive  
 account of  
 how and why  
 our political  
 system has  
 failed to rise  
 to that  
 challenge.  
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 is a book  
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 American  
 needs to read.  
**Selected  
 Works of  
 Michael  
 Wallerstein**  
 "This study  
 addresses the  
 question of  
 why unequal  
 new  
 democracies  
 tend to  
 display low  
 levels of  
 redistribution  
 for long spells

of time.  
 Relative to the  
 more  
 conventional  
 accounts, I  
 focus on two  
 basic but  
 crucial factors:  
 individuals'  
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 about  
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 On citizens'  
 preferences I  
 develop a  
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redistributive  
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 show that  
 preferred  
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 of poorer  
 constituencies  
 , might  
 decrease as  
 poverty and  
 inequality  
 increases. This  
 in turn  
 reduces the  
 incentives of  
 politicians to  
 advocate for  
 certain forms  
 of  
 redistribution.  
 Empirical  
 analysis of  
 three waves of  
 public opinion  
 surveys in  
 Brazil provide  
 evidence  
 consistent  
 with the  
 model's

results. Once preferences are determined, the next important step in evaluating the political prospects of redistributive policies is to assess representation . Do the policies advocated by representative s reflect those preferred by their constituencies ? To answer this question I emphasize uncertainty and develop a model of elections as a game of incomplete information, where

candidates display mix motivations. I show that uncertainty can account for the persistence of low redistribution in unequal democracies, among other reasons, because it might be optimal for poor voters to reelect incumbents that favor less redistribution than they do. I analyze electoral survey data about each presidential election in Brazil since democratization and find

evidence consistent with the models' assumptions and observable implications"-- Leaf vi. How Income Inequality Affects Government Redistribution 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. Poverty, Inequality and the Political Prospects of Redistribution More than ten years after the worst crisis since the Great Depression, the financial sector is

thriving. But something is deeply wrong. Taxpayers bore the burden of bailing out "too big to fail" banks, but got nothing in return. Inequality has soared, and a populist backlash against elites has shaken the foundations of our political order. Meanwhile, financial capitalism seems more entrenched than ever. What is the left to do? Justice Is an Option uses

those problems—and the framework of finance that created them—to reimagine historical justice. Robert Meister returns to the spirit of Marx to diagnose our current age of finance. Instead of closing our eyes to the political and economic

realities of our era, we need to grapple with them head-on. Meister does just that, asking whether the very tools of finance that have created our vastly unequal world could instead be made to serve justice and equality. Meister here formulates nothing less

than a democratic financial theory for the twenty-first century—one that is equally conversant in political philosophy, Marxism, and contemporary politics. Justice Is an Option is a radical, invigorating first page of a new—and sorely needed—leftist playbook.

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