GV101 Week 19: Public Spending and Economic Inequality

Teacher: Joe Greenwood-Hau

Email: j.greenwood3@lse.ac.uk

Office Hours (by appointment via the Student Hub):
Thursdays, 09:30 – 10:30, CBG.4.13
Thursdays, 14:30 – 15:30, CBG.4.13

Country Questions:

- In your adopted country, what proportion of GDP is in the public sector?
- How much public spending goes on redistributive policies (e.g. social security, unemployment benefits etc.)?
- What political factors influence how much a government spends in your adopted country?

Class Questions:

1. According to Clark, Golder, and Golder, how and why does turnout relate to the level of redistribution that is implied by the Meltzer-Richard?
    a) Can the relationship between turnout and redistribution be linked to the structural dependence of the state on capital? If so, how?
    b) Given the argument that protection of private property is needed to promote investment and growth, is the higher turnout of wealthier people a good thing?

2. What are the three explanations, outlined by Clark, Golder, and Golder, for greater redistributive activity in proportional than majoritarian systems, and how do they work?
    a) Do you find one of those explanations most convincing? Why?
    b) Are those explanations mutually exclusive? How might they relate to each other?
    c) How does Tsebelis respond to the third explanation?

3. Alesina and Glaeser find that, in comparison with the US, Europe generally offers more benefits to an average family, has more redistributive pension policy, has less unequal incomes (before and after taxation), and has greater market regulation. Does this surprise you? Why?
    a) They note that 'the political economy of regulation is such that over-protected groups and minorities often reap many of the benefits of regulation even when they are not the weakest or poorest part of the population. Heavy beneficiaries often include old and unionized workers, over their younger and less-unionized counterparts, and certain industries over others.' To what extent, do you think this undermines the case for the European approach to redistribution? Why?
    b) They subsequently note that '[g]reater inequality in the U.S. does not appear to stem from the gap between the median and the top but between the median and the bottom.' Does this contradict the above view regarding over-protected groups? If not, how can the two observations be reconciled?
    c) They also note that charitable involvement is (or at least historically, has been) higher in the United States than in Europe. Do you think citizen-centred philanthropy or state-centred redistribution is preferable? Why?

4. Alesina and Glaeser identify four possible reasons for the observed lower social spending in the United States than in Europe. What are these and how do they work?
    a) How do they overlap with, or differ from, the explanations identified by Clark, Golder, and Golder?
    b) Do you find any of them more convincing than the others? How might they relate to each other?
    c) How can Tsebelis be brought to bear on these explanations?

5. Clark, Golder, and Golder note that they take a political economy approach to the question of redistribution, rather than a traditional, 'welfare', economics approach. What is the difference between these approaches? Do you find one more convincing? Why?
6. Alesina and Glaeser use the example of an average family to assess the provision of benefits in the US and Europe. What are the advantages of using such an example when assessing inequality?

Further Reading Questions:

7. Scheve and Stasavage find that '[t]here is little evidence of an automatic link between democracy and wealth inequality', and they suggest three possible explanations for this. What are they and how do they work?
    a) The possible capture of democracy by wealthy groups may be explained, according to Scheve and Stasavage, in four different ways. How can these be related to each other, if at all? Are any of them more convincing than others?
    b) How can the possible capture of democracy by wealthy groups be related to the Bardhan reading from week 15? To what extent does this imply that we can apply Bardhan's argument to established democracies?

8. What does Larcinese find is the relationship between turnout and levels of redistribution? Why is this the case?
    a) What is the importance of the distribution of turnout likelihood in the population? What would the effect of turnout be, according to Larcinese's modified Downsian model, if likelihood of turning out was randomly distributed?
    b) Larcinese notes that Alesina and Rodrick find a negative relationship between inequality and growth. Does this present an unsolvable conundrum?

Essential Readings for Next Week:

- Aili Mari Tripp and Alice Kang, 'The Global Impact of Quotas: On the Fast Track to Increased Female Legislative Representation', *Comparative Political Studies*, Vol. 41, No. 3 (Mar., 2008), pp. 338-361.

- Diana Z. O'Brien, 'Rising to the Top: Gender, Political Performance, and Party Leadership in Parliamentary Democracies', *American Journal of Political Science*, Vol. 59, No.4 (Oct., 2015), pp. 1022-1039.

- Tim Besley, Olle Folke, Torsten Persson, and Johanna Rickne, 'Gender quotas and the crisis of the mediocre man', *LSE Business Review* blog, March 13th, 2017.

Further Reading for Next Week:

The further reading questions for next week will be based on the following two sources, which you may choose to focus on:

- Joni Lovenduski and Pippa Norris, 'Westminster Women: the Politics of Presence', *Political Studies*, Vol. 51, No. 3 (Mar., 2003), pp. 84-102.

- Ruth Dassonneville and Ian McCallister, 'Gender, Political Knowledge, and Descriptive Representation: The Impact of Long-Term Socialization', *American Journal of Political Science*, Vol. 62, No. 2 (Apr., 2016), pp. 249-265.