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# **Luxembourg Income Study Working Paper Series**

**Working Paper No. 352**

**The Politics of Poverty:  
Left Political Institutions, the Welfare State and Poverty**

**David Brady**

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**THE POLITICS OF POVERTY:  
LEFT POLITICAL INSTITUTIONS, THE WELFARE STATE AND POVERTY\***

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**THE POLITICS OF POVERTY:  
LEFT POLITICAL INSTITUTIONS, THE WELFARE STATE AND POVERTY\***

**ABSTRACT**

This study investigates the impact of Left political institutions on a nation's amount of poverty. Specifically, the analysis tests three possible causal relationships: whether Left political institutions affect poverty separately from the welfare state, channeled through the welfare state, or combined with the welfare state. These relationships are tested with an unbalanced panel analysis of 16 rich Western democracies from 1967 to 1997 (N=73, 74), two measures of poverty and eight measures of Left political institutions. The results demonstrate that the strength of Left political institutions has a significant, powerful negative impact on poverty. Specifically, Left political institutions partially combine with and partially channel through the welfare state. Voter turnout and the cumulative historical power of Left parties entirely channel through the welfare state to reduce poverty. The percent of votes for Left parties, the percent of seats for Left parties, wage coordination, neocorporatism, gross union density and employed union density partially combine with and partially channel through the welfare state to reduce poverty. While the welfare state remains a crucial determinant of poverty, Left political institutions are essential to explanations of the comparative historical variation in poverty.

## **THE POLITICS OF POVERTY:**

### **LEFT POLITICAL INSTITUTIONS, THE WELFARE STATE AND POVERTY\***

Do strong Left political institutions reduce poverty? At least since Marx, scholars have debated the potential for Leftist political organizations to reduce the economic deprivation and inequality of industrialized democracies (Sassoon 1997). Throughout the twentieth century, poverty advocates and activists continuously proposed political mobilization as an effective mechanism to combat poverty in rich Western democracies (e.g. Gans 1995; Harrington 1981; Wilson 1996, 1999). Given the long-standing contention that Left political institutions reduce social inequality, it certainly seems plausible that Left mobilization potentially could contribute to poverty reduction as well.

Yet, despite the significance of these intellectual and political traditions, a striking lack of theoretical clarity and empirical evidence marks these debates. In turn, this paper attempts to develop greater theoretical clarity by synthesizing diverse literatures and specifying potential causal relationships between Left political institutions, the welfare state, and poverty.<sup>1</sup> Further, this paper provides an empirical evaluation of these causal hypotheses with an unbalanced panel analysis of 16 rich Western democracies from 1967 to 1997. Hence, this study attempts to both theoretically and empirically advance the understanding of the effects of political institutions and the causes of poverty. Broadly, I conclude that Left political institutions do impact poverty. More specifically, Left political institutions partially combine with and partially channel through the welfare state to reduce poverty. Left political institutions greatly influence a society's amount of poverty, while the welfare state remains a crucial determinant of a nation's amount of poverty (Hanratty and Blank 1992; Kenworthy 1999; McFate et al. 1995; Page and Simmons 2000; Smeeding et al. 2001; Brady 2002; Moller et al. 2003).

## THEORETICAL BACKGROUND

Though implicit in much scholarship, sophisticated theoretical accounts of the link between Left political institutions and poverty have not been forthcoming. Nevertheless, a set of possible causal relationships can be synthesized from research on political institutions, the welfare state, social democracy, and the sources of inequality. Based on these debates, the following offers accounts for why Left political institutions might affect poverty at all, and more specifically, three plausible causal relationships. Left political institutions may reduce poverty through, separate effects, channeled effects or combined effects. All three relationships presume that the welfare state plays an important role in reducing poverty. At least partly, each account contends that the influence of Left political institutions is interrelated with the welfare state.

In order to illustrate these three possible causal relationships, an important conceptual and operational distinction must be drawn between two measures of poverty: market generated (MG) and state mediated (SM). Potentially, Left political institutions might impact MG poverty or poverty that occurs in the labor market before the mediating influence of government taxes and transfers. Equally possible, Left political institutions might affect SM poverty or the ultimate poverty that exists after the mediating influence of government taxes and transfers. Building on my past work (Brady 2002, 2003a, 2003b), analyzing both measures of poverty provides a more precise theoretical understanding of the effects of Left political institutions.

### *Separate Effects*

The first possibility I consider is that the welfare state and Left political institutions have separate effects. In this scenario, Left political institutions reduce MG poverty. Because MG poverty measures poverty before the equalizing consequences of the welfare state, Left political

institutions could potentially reduce poverty generated in the labor market. Therefore, poverty would be reduced antecedent to the ameliorating effects of the welfare state. In this explanation, societal-based Left political institutions, such as unionization and labor market institutions, are especially important in addition to political parties (Esping-Andersen 1990: 29). Some previous research supports this explanation. Simpson (1990, 1993) asserts that the distribution of political power is the principal cause of income inequality. Hicks and Kenworthy (1998) demonstrate that firm-level cooperation and neo-corporatism enhance economic performance while equalizing the income distribution. Other scholars conclude that the organized mobilization of the poor themselves will change the power distribution in society and lead to a process of redistribution separate from the welfare state (Bachrach and Baratz 1970; DiFazio 1998).

For decades, labor market sociologists have argued that organized worker mobilization profoundly reduces economic inequality and raises workers' earnings (e.g. Cornfield 1991; Farkas and England 1988; Kalleberg et al. 1981; Leicht 1989; Leicht et al. 1993; Wallace et al. 1989; Wallace et al. 1999). A rich tradition of labor economics has established this same relationship (e.g. Freeman and Medoff 1984; Gordon 1996; Harrison and Bluestone 1988; Osterman 1999). Some analysts have more recently asserted that labor market institutions are, in fact, the most important determinant of earnings inequality (e.g. Western and Healy 1999). Relatedly, several scholars argue that as determinants of inequality, labor market institutions are much more important than the welfare state. For example, Gustafsson and Johansson (1999) find that while welfare transfers have no effect, unionization significantly reduces inequality. Wallerstein (1999) also demonstrates that labor market institutions such as wage coordination, union concentration, and collective bargaining arrangements, are more important than any other variables for earnings inequality. Despite this wealth of findings, scholars have not yet

established that labor mobilization, or Left political institutions more generally, filters down to the bottom of the income distribution, and benefits the poor as well as the working class. While Freeman (1999) and others suggest that strengthening unions will help poor people, no serious empirical test has examined if this is actually the case.

### *Channeled Effects*

A second possible causal relationship between Left political institutions and poverty is that Left mobilization triggers welfare state expansion, which subsequently reduces poverty. In this causal chain, Left political institutions are channeled through the welfare state to alleviate poverty. This relationship would be demonstrated if Left political institutions had an effect on poverty, but this effect significantly attenuates when measures of welfare state generosity are included in the model. Essentially, we would observe that the welfare state mediates the effect of Left political institutions on poverty. As a result, the main utility of Left political institutions for poverty reduction would be to act as a vehicle for expanding the welfare state. Part of this causal chain is already established empirically. Countless studies demonstrate that Left political institutions affect social policy expansion (e.g. Griffin et al. 1983; Hicks 1999; Jenkins and Brents 1989; Pampel 1994; Quadagno 1988; Sassoon 1997; Skocpol 1992; Weir et al. 1988). Unions, Left political parties, protests, democratic institutional arrangements and socialist movements all are positively associated with decommodification and welfare state development (Esping-Andersen 1990).<sup>2</sup> For example, Huber and her colleagues (1993) emphasize the effect of social democratic parties in parliament for several types of welfare state effort (see also Huber and Stephens 2001). Such accounts build on the notion that social movement organizations and interest groups can and do influence public policy (Burstein 1999). As challenger groups, Left



political institutions can mobilize power resources to expand the welfare state, which in turn reduces poverty and social inequality (Hicks 1999; Jackson 1993; Jacobs and Helms 2001).<sup>3</sup>

If the entire influence of Left political institutions is channeled through the welfare state, the centrality of the welfare state for poverty reduction would be further established. If the welfare state mediates all of the influence of Left political institutions, analysts could conclude that the welfare state is still the paramount and proximate cause of poverty reduction (e.g. Brady 2002; Kenworthy 1999). In turn, analyzing the effect of Left political institutions on poverty would be secondary, but the already established importance of Left political institutions for the welfare state would be augmented (Amenta 1998; Quadagno 1992; Skocpol 1992).

### *Combined Effects*

A third plausible causal relationship between Left political institutions and poverty is that Left mobilization and the welfare state have combined effects on poverty. While previous research established that the welfare state reduces poverty after taxes and transfers (SM poverty) (e.g. Brady 2002; Kenworthy 1999), it is unclear whether Left political institutions also reduce poverty after taxes and transfers. If Left political institutions and welfare transfers both significantly reduce SM poverty, and the effects do not mediate each other, one could infer that both are relevant. Further, if such models are preferred and more effectively account for the variation in poverty, a causal explanation of combined effects is valid. This account rests on a social democratic model that synthesizes labor market institutions, encompassing social policies, and consistently strong Left political parties (Hicks and Kenworthy 2003; Moene and Wallerstein 1995). In this explanation, social equality rests on the interconnections of these various facets of social democracy (Offe 1996; Esping-Andersen and Kersbergen 1992). Consistent with the combined account, many welfare state scholars argue that Left political

institutions and the welfare state have mutually beneficial feedback effects on each other (Korpi and Palme 1998; Skocpol 1992). Generous welfare state policy legacies encourage Left mobilization and both work in concert to reduce social inequality and poverty. For example, Huber and Stephens (2001; see also Huber et al. 1993) claim that poverty is lowest when coordinated market economies with strong labor market institutions combine with social democratic welfare states. Further, Huber and Stephens emphasize that essential to this synthesis is the long-term cumulative strength of social democratic parties in the post-World War II era. Moller and her colleagues (2003) find that welfare state generosity combines with this cumulative Left power variable to enhance poverty reduction. Hence, to understand the combined effects explanation thoroughly, it is essential that scholars analyze multiple Left political institutions at the same time as the welfare state (Esping-Andersen 1990).

### *No Effects*

In summary, Left political institutions could affect poverty through separate, channeled or combined effects. In addition to these three possibilities, a null hypothesis is worth considering: Left political institutions might not have any effect on poverty (Burstein and Linton 2002). Many scholars have demonstrated that Left political institutions are often ineffective at actually helping poor people. Despite claims by Left intellectuals (e.g. Freeman 1999; Fischer et al. 1996), very little empirical evidence exists of a direct association between political mobilization and poverty reduction. In fact, some scholarly research fails to find evidence of a link between Left political institutions and the economic well-being of families. Alt (1985) finds that political parties only have a small, transitory effect on unemployment, and that this effect is contingent on international economic processes. Leicht (1989: 1043) concludes that, “Unions are, at best, selectively effective at raising the earnings of unorganized workers. . .[and that]

managers respond to unions only when they are confronted by them directly.” Despite his findings for labor market institutions, Wallerstein (1999: 668) decisively rejects the hypothesis that the participation of socialist, social democratic or labor parties in government reduces wage inequality. Rubin (1988) finds that unionization and strikes mainly benefit the most advantaged segments of the working class, and do little for the bottom of the income distribution. Finally, and arguably most influentially, Piven and Cloward (1979, 1993, 1997) have long argued that the formal organization of Left movements hinders their effectiveness in securing economic equality and lessening poverty (see also Fording 2001).<sup>4</sup> It is therefore quite possible that the political mobilization of the Left yields few benefits for those at the bottom of the income distribution. As the poverty activist Michael Harrington (1981: 6) lamented over 40 years ago, “The poor are politically invisible. It is one of the cruelest ironies of social life in advanced countries that the dispossessed at the bottom of society are unable to speak for themselves. The people of the Other America do not, by far and large, belong to unions, to fraternal organizations, or to political parties. They are without lobbies of their own; they put forward no legislative program. As a group, they are atomized. They have no face; they have no voice.”

The following analysis investigates whether Left political institutions reduce poverty, and if so, the nature of the causal relationship. Based on the discussion above, I diagram the causal arguments of the separate, channeled and combined explanations in Figure 1. If the effects are separate, Left political institutions will reduce MG poverty, but not SM poverty, while the welfare state will reduce SM poverty but not MG poverty. If the effect of Left political institutions are channeled through, or combined with the welfare state, Left political institutions will not reduce MG poverty. Further, if the effects are channeled, Left political institutions will have an effect on SM poverty that significantly attenuates after the welfare state measures are

included in the model. Given the extensive prior literature linking Left political strength and the welfare state, we can conclude the welfare state mediates the effects of Left political institutions on SM poverty. Finally, if Left political institutions and the welfare state have combined effects, both will significantly reduce SM poverty in the same model. The analyses below will adjudicate which of these causal diagrams best represents the causal dynamics of Left political institutions, the welfare state and poverty.

\*\*\* Figure 1 About Here \*\*\*

## **METHODS AND MEASURES**

To evaluate the possible causal relationships between Left political institutions, the welfare state and poverty, I utilize an unbalanced panel research design and a synthesis of two data sets. Because of limited observations for my dependent variables (see below), cases are distributed across countries and years. Given the data's nature, and due to the results of the Breusch-Pagan Lagrange Multiplier test, traditional OLS regression is inappropriate. Using STATA, I analyzed the data with Random Effects (RE) and Fixed Effects (FE) models, which are effective techniques for parceling out the cross-national heterogeneity that render OLS regression problematic.<sup>5</sup> Following the methodological and substantive motivations of similar analyses of inequality and poverty (e.g. Alderson and Nielsen 1999, 2002; Brady 2002, 2003b; Gustafsson and Johansson 1999), I present RE models. First, and most importantly, both cross-national and historical variation are crucial to the theoretical questions of interest. The FE model can be substantively interpreted as removing all between-country variation.<sup>6</sup> By contrast, the RE model is more appropriate since the number of countries (16) far exceeds the average number of time points (4.69) and the greatest variation in the dependent variable is between countries (see

Brady 2003a). While FE models effectively control for all this cross-national variation, RE models permit the independent variables to explain this important variation. Second, statistical tests to adjudicate between FE and RE models permitted RE models and did not require FE models.<sup>7</sup> Third, the results are not sensitive to these technical choices.

In addition to examining the conventional statistical significance (t-scores) and basic fit statistics (e.g.  $R^2$ ), I carefully evaluate the Bayesian Information Criterion Prime (BIC') to assist in model selection. Raftery (1995) shows that BIC' selects the more parsimonious model unless model fit is significantly enhanced. Specifically, the greater negative (i.e. lower) value of BIC' is preferred, with positive values of BIC' indicating that a model is less preferred than a model with no independent variables.<sup>8</sup> Most importantly, in this paper, BIC' provides additional assistance in selecting between models of the combined and channeled accounts.

I now turn to a discussion of the variables in the analysis. For many of the variables in this analysis, the preceding source of data was the Comparative Welfare States database assembled by Huber, Ragin and Stephens (1997; also Huber et al. 1993; and Huber and Stephens 2001). For this study, I have expanded the number of variables and updated the historical coverage. Descriptive statistics for all variables are presented in the Appendix.

### ***Dependent Variables***

The source of data on poverty is the Luxembourg Income Study (LIS). The LIS provides cross-nationally and historically comparable individual-level data sets. Cumulatively, LIS provides almost standardized data – what the LIS staff call “Lissified” data with similar variables across data sets, similar samples and equal weights, which allow for population estimates (Cantillon 1997: 144; Smeeding et al. 1990). To get estimates of poverty, I first conducted analyses with 75 different data sets to compute a poverty statistic in a given country in a given

year. This analysis generated data on 16 rich Western democracies with between one and seven time points each, resulting in an unbalanced sample of 73-74 cases.<sup>9</sup>

The LIS data contain information on household income, which I have used in a previous paper to estimate several measures of poverty (Brady 2003a).<sup>10</sup> In that paper, I advocate five criteria for the measurement of poverty: a) measure comparative historical variation effectively; b) be relative rather than absolute; c) conceptualize poverty as social exclusion; d) integrate the depth of poverty and the inequality among the poor; and, e) assess the impact of taxes, transfers and non-cash benefits. Based on that paper, I utilize the Interval measure of poverty in this analysis. The Interval measure is calculated as the product of ***H*** and ***I***. ***H*** is the relative headcount, or simple percentage of the sample that is below 50 percent of the median income. ***I*** is the average depth of poverty, or the difference between the median income in the sample and the mean income of the poor sub-sample. Hence, ***HI*** synthesizes the quantity of poor and the average depth of poverty into one index. While offering a more sophisticated yet parsimonious measure, ***HI*** explicitly builds on the strengths of the more conventional ***H***. Finally, the Interval measure is far superior to the official U.S. measure of poverty, since the U.S. measure is lacking in both validity and reliability (Brady 2003a; Burtless and Smeeding 2001; Citro and Michael 1995; Hagenaars 1991; Sen 1999; Smeeding et al. 2001).

To investigate poverty thoroughly, I examine ***HI*** poverty before and after the influence of taxes and transfers. First, I analyze market generated (MG) poverty, which is based on all sources of income prior to government taxes and transfers.<sup>11</sup> Assessing MG poverty facilitates testing the account of separate effects of Left political institutions and the welfare state. Second, I analyze state mediated (SM) poverty, which is based on all sources of income after taxes and transfers (DPI in LIS). SM poverty evaluates whether Left political institutions reduce the

ultimate measure of low-income household well-being. Also, SM poverty facilitates testing the accounts of channeled and combined effects of Left political institutions and the welfare state.

### ***Measures of Left Political Institutions***

In this analysis, I assess the effect of eight measures of Left political institutions, including four of “voter and political party mobilization” and four of “labor market institutions and organized labor.” For both sets, I measure Left political institutions in terms of capacity and mobilization. The capacity of Left political institutions indicates the extensiveness of organizational resources or institutionalized relationships. The mobilization of Left political institutions reflects the activation of people towards the institutions’ mission. In the current analysis, I simply consider both as potential strengths of Left political institutions and do not attempt to determine whether capacity or mobilization is relatively more important.

For the voter and political mobilization variables, I draw directly from the data collected and coded by Huber, Stephens and Ragin (1997). My first measure, voter turnout, is calculated as the percentage of the electorate that voted in the most recent election. Second, I include the percent of votes for Left parties by all voters in the most recent election. Third, I assessed the effect of the percent of seats in the parliament for Left parties. Fourth, I measured the influence of Left parties over a long period of time. Specifically, I include a variable of the cumulative Left seats as a percent of government seats since 1946. This variable was calculated by tabulating the Left seats as a percent of seats held by all government parties in each individual year and then summing these percentages for all years since 1946. In Huber and Stephens’ (2001) account, the cumulative Left seats variable is the most important determinant of welfare states. Though other indicators of Left politics are available in Huber et al.’s data set, the analysis of other indicators replicates the findings of these four. Importantly, Huber et al. code

only true Leftist parties as Leftist, and do not consider centrist or some Left-center parties as Leftist parties. For example, the U.S. Democratic Party is coded as a centrist rather than as a Leftist party. While this is a legitimate decision, I feel that a more explicit treatment of the matter is warranted. In turn, I have replicated the analyses with the U.S. Democrats coded as Leftist and I discuss the empirical and theoretical consequences below.

For the labor market institutions and organized labor variables, I gathered data assembled and collected by several scholars. First, I assessed the influence of two labor market institutions with data generously made available by Kenworthy (2001, 2002). Wage setting coordination is measured as an index of labor market centralization scored 1 to 5 with 5 being the most centralized.<sup>12</sup> Neocorporatism is an index based on eleven indicators measuring the presence of cooperative arrangements between firms, labor and the state (see also Hicks and Kenworthy 1998).<sup>13</sup> Next, I evaluated the influence of unionization with data collected from a variety of sources that are designed to offer standardized measures for rich Western democracies (Ebbinghaus and Visser 2000; Hirsch and MacPherson 2000; Visser 1996). Specifically, I measured gross union density as the ratio of gross union members over the labor force multiplied by 100, and employed union density as the ratio of employed union members over total civilian employees multiplied by 100. These two measures assess the extent of unionization in the labor force (including pensioners and unemployed) and among the employed. Both the labor force and total civilian employees data were gathered from the OECD (2000a).

### ***Control Variables***

In all models, I control for five basic economic and demographic determinants of poverty. In past research, I justified the operationalization of these measures and demonstrated that this set of control variables provides a reasonable model of poverty in rich Western



democracies from 1967 to 1997 (Brady 2002, 2003b). Controlling for these variables provides a test of the non-spurious causal relationship between Left political institutions, the welfare state and poverty. Failing to control for these variables would yield models with biased and inflated estimates of the causal effects.<sup>14</sup> First, I measure economic growth as the annual rate of change in gross domestic product (GDP) of purchasing power parity (PPP) dollars (OECD 1998). The GDP PPP data offer highly comparable assessments of economic output (see Firebaugh 1999). Second, I measure productivity as GDP in PPP per civilian employee utilizing comparable data on labor force participation (OECD 2000a). Third, I measure the supply and demand of workers as unemployment with standardized unemployment rates that permit cross-national and historical comparison of the percent of the labor force unemployed (OECD 2000b). Fourth, each model controls for the percentage of the population not in the labor force (OECD 1998). This variable sums the percentage of the population that is retired, too young to participate in the labor force, and adults that are not participating in the labor force.<sup>15</sup> Fifth, owing to the link between single-motherhood and poverty (see e.g. Lichter 1997), I included a measure of the percentage of children in single mother families. This variable is based on the LIS data and is calculated by the LIS administrators (see: [www.lisproject.org](http://www.lisproject.org)).

### ***Welfare State Variables***

Because the welfare state has been demonstrated to be a central determinant of poverty, and because it could play a central role in a channeled or combined causal relationship, I include two measures of the welfare state in the models below.<sup>16</sup> First, I include Social Security Transfers as a percent of GDP, which includes government-sponsored cash transfers for sickness, old age pensions, family allowances, unemployment and workers' compensation and other forms of public assistance (OECD 2000a). Second, I include Public Health Spending as a percent of

Total Health Spending, which summarizes all public spending on healthcare, medicine, and public health and includes transfers, in-kind benefits and services (OECD 1998). These two measures collectively gauge the state's effort to reduce poverty and redistribute income, and generally capture quantitative and qualitative variation in welfare states (Brady 2002).

## RESULTS

The following analysis tests whether Left political institutions have any effect on poverty, and if so, the nature of the causal relationship. For every independent variable, I display the unstandardized coefficient and t-score. Because of limited degrees of freedom, I display statistical significance beginning at the .10 level with two-tailed tests. Because of collinearity among the measures of Left political institutions, I have chosen to include one measure at a time in each model. Therefore, this analysis cannot test which of the different measures are relatively more important than the others. However, in analyses available upon request, I experimented with models including interaction effects and combinations of both sets of measures of Left political institutions (voter and political party variables combined with organized labor and labor market institutions variables). None of these results alters my substantive conclusions. Also, none of these models was preferred by fit statistics (e.g. BIC') over the models I present. As a result, I chose to present the simplest model specifications.

### *Separate Effects*

In Tables 1 and 2, I examine the effects of Left political institutions on market generated (MG) poverty. By analyzing MG poverty, I assess if Left political institutions have separate effects from the welfare state that occur in the labor market before the influence of taxes and transfers on family income. Table 1 displays the effects of voter and Left political party

determinants. Consistent with past research (Brady 2002, 2003b), economic growth, unemployment, the percentage of the population not in the labor market, and the percentage of children in single mother families have significant positive effects on MG poverty. Voter turnout has a significant effect on MG poverty, but this effect is unexpectedly positive. Apparently, voter turnout coincides with greater levels of MG poverty, after controlling for the other political and economic determinants of MG poverty. Potentially, this effect reflects the simultaneous influence of economic insecurity, stagnant wages and unemployment (all characteristics of MG poverty) on voter turnout.<sup>17</sup> Relatedly, the cumulative Left seats variable also has a surprisingly positive effect on MG poverty. None of the other Left political party variables has a statistically significant effect on MG poverty. Thus, there is no evidence that voter and Left party determinants have a separate negative effect on poverty generated in the labor market before the influence of taxes and transfers.

\*\*\* Table 1 About Here \*\*\*

In Table 2, I examine if labor market institutions and organized labor reduce MG poverty. Again, economic growth, unemployment and the percentage of the percentage of children in single mother families have significant positive effects on MG poverty. By contrast, none of the four measures of labor market institutions and organized labor has significant separate effects on MG poverty. These findings demonstrate that while labor market institutions and organized labor may reduce earnings inequality, these benefits do not filter down to the bottom of the income distribution. These findings support the argument that labor institutions are skewed to benefit the more affluent members of the working class and provide less support for the most disadvantaged members of society (e.g. Rubin 1988). Further, these two tables demonstrate broadly that Left political institutions do not reduce poverty generated in the labor market.

Ultimately, these analyses provide no evidence that Left political institutions have a separate negative effect on poverty.

\*\*\* Table 2 About Here \*\*\*

### *Channeled or Combined Effects*

In Tables 3 and 4, I examine the effect of Left political institutions on state mediated (SM) poverty. Again, I evaluate voter and Left political party determinants first, and labor market institutions and organized labor second. Evaluating SM poverty assesses the determinants of poverty after the mediating influence of taxes and transfers, and is therefore the more important measure of low-income household well-being. To assess if these variables have a channeled or combined effect, I include the measure of Left political institutions by itself, and then with the two measures of the welfare state: social security transfers as a percent of the GDP and public health spending as a percent of total health spending. As mentioned earlier, my past research (Brady 2002) suggests that the most powerful determinant of SM poverty is the welfare state. If the effect of Left political institutions is not significant in the first model, this measure does not have an effect on poverty. If the effect of the measure is initially significant, but significantly attenuates with the welfare state measures in the model, one can infer that Left political institutions reduce poverty principally by channeling through the welfare state. If the effect remains significant and the welfare state measures have significant effects, this suggests that Left political institutions have a combined effect with the welfare state.

Table 3 demonstrates that all four voter and Left political party determinants have significant negative effects on SM poverty. Voter turnout, the percent of votes for Left parties, the percent of seats in parliament for Left parties, and the cumulative Left seats variable all significantly reduce SM poverty. The substantial importance of these Left political institutions

can be contrasted with the economic and demographic variables. While all four voter and Left political party variables have significant negative effects, none of the economic and demographic variables consistently affect SM poverty. Unemployment has a significant negative effect in one model and the percentage of children in single mother families has a significant positive effect in one model. But, overall, economics and demographics are far less important than voter and Left political party variables for predicting SM poverty.

When the two measures of the welfare state are included in the model the causal relationship between voter and Left party variables and SM poverty is clarified. In all four models, social security transfers and public health spending have large significant negative effects on SM poverty. Further, when these welfare state measures are included, the size and significance of the effects of the voter and Left party variables attenuate substantially. Voter turnout and the cumulative Left seats variable are not statistically significant after controlling for the welfare state. Hence, the effects of these two variables are entirely channeled through the welfare state. The percent of votes and percent of seats for Left parties remain statistically significant but have much smaller and less significant effects. Thus, these variables somewhat channel through the welfare state, and somewhat combine with the welfare state. In sum, voter and Left party variables are mostly channeled through the welfare state but partially maintain combined effects with the welfare state.<sup>18</sup> While voter and Left party variables substantially reduce SM poverty, their effects are mostly, but not completely, channeled through the expansion of the welfare state. Similarly, though weak Left political institutions are associated with increased SM poverty, this is due mostly, but not completely, to subsequent contractions in the welfare state.

\*\*\* Table 3 About Here \*\*\*

Within Table 3 in model 8, the non-significance of the cumulative historical power of Left parties in government is an important non-finding. This result contradicts past research that concluded that this measure of “Left Cabinet” combines with the welfare state to reduce poverty (Huber and Stephens 2001; Moller et al. 2003). Moreover, the combined explanation partly held that the historic social democratic legacy of Left party strength, generous welfare states, and labor market institutions complemented the effectiveness of each in reducing inequality and poverty (e.g. Hicks and Kenworthy 2003; Moene and Wallerstein 1995). Since this measure of historic power is not significant in model 8, the combined account should be further qualified.

One important condition should be mentioned about the effects of Leftist political parties. As explained above, the U.S. Democratic party is coded as a centrist party in this dataset, and as a result, the U.S. has a value of zero for all years on the Leftist party variables. What are the empirical consequences of this decision? If the U.S. Democratic party is coded as Leftist, these Leftist party variables have less significant and different effects on SM poverty. The significant effect for the percent of votes for Left parties ( $t=-1.92$  in model 3) and the cumulative Left seats variable ( $t=-1.77$  in model 7) would be wholly channeled through the welfare state ( $t=-1.15$  for Left votes in model 4, and  $t=-.09$  for cumulative Left seats in model 8). By contrast, the percent of seats in parliament for Left parties ( $t=-1.57$  in model 5 and  $t=-1.32$  in model 6) would not significantly affect SM poverty. These results suggest that the poverty-reducing influence of Leftist parties is much more powerful in truly Leftist parties (e.g. the social democratic and labor parties of Western Europe and Canada). It appears that the strength of the U.S. Democratic party has much less of an impact on poverty. It is important to note that by coding Left parties this way and given the lessened effectiveness of the U.S. Democrats, these results acknowledge Piven and Cloward’s (1979, 1993, 1997) criticisms that the U.S. Democratic party has

historically been too conservative to ever fundamentally reduce poverty. True Leftist political parties much more effectively reduce poverty.

Table 4 examines the same potential causal relationships with labor market institutions and organized labor determinants. In models 1, 3, 5 and 7, all four measures of Left political institutions have significant negative effects on SM poverty. Wage-setting coordination, neocorporatism, gross union density, and employed union density all reduce SM poverty. Consistent with Table 3, the labor market institutions and organized labor determinants are more important than the economic and demographic variables. While unemployment is significant in one model and the percentage of children in single mother families is significant at the .10 level in three models, labor market institutions and organized labor determinants have more significant effects. Coupled with the evidence in Table 3, these analyses suggest that Left political institutions are more important determinants of comparative historical variation in poverty than economic performance or demographics.

In models 2, 4, 6 and 8, I include the two measures of the welfare state. The size of the coefficients for the four labor market institution and organized labor variables all decrease, in some cases substantially. For example, employed union density attenuates from a coefficient of -.055 to -.025, while neocorporatism attenuates from -4.44 to -2.47. Thus, after including the welfare state measures, it is clear that much of the effects of labor market institutions and organized labor is channeled through the welfare state. Still, however, the labor market institutions and organized labor variables clearly combine with the welfare state to reduce poverty. All four variables remain statistically significant even after including the welfare state measures. Though the welfare state appears to have a stronger negative effect on poverty, the labor market institution and organized labor variables have an independent powerful negative

influence on poverty. Hence, wage-setting coordination, neocorporatism, gross union density and employed union density partially channel through the welfare state and partially combine with the welfare state to reduce poverty.

A careful inspection of the evidence reveals a somewhat more precise understanding of the impact of the labor market institutions and organized labor variables. First, it should be noted that while wage-setting coordination and neocorporatism remain statistically significant at the .01 level in models 2 and 4, gross union density is significant at the .05 level in model 6 and employed union density is significant only at the .10 level in model 8. Second, BIC' provides evidence to assist model selection. The combined models for wage-setting coordination and neocorporatism are preferred to models that include the welfare state measures but omit those two variables (not shown). By contrast, the combined models for gross union density and employed union density are less preferred than models with the welfare state measures but without those two variables (not shown). Therefore, placing the welfare state as the proximate cause and removing the prior causes is statistically preferred for gross union density and employed union density, while models combining both the welfare state and wage-setting coordination and neocorporatism are statistically preferred. Overall, the analysis of labor market institutions and organized labor determinant reveals some evidence for both the combined and channeled accounts.

\*\*\* Table 4 About Here \*\*\*

## **DISCUSSION**

The most important conclusion to emerge from this study is that Left political institutions greatly reduce poverty. All eight measures have large, significant effects on state mediated (SM)



poverty. These findings hold despite controlling for economic and demographic factors. In the latter period of the twentieth century, Left political institutions were triumphant in reaching the goal of reducing the economic deprivation and poverty of rich Western democracies. The skeptical mistrust of formal political institutions by some Leftist thinkers may be overstated. While the U.S. Democratic Party was a less effective source of poverty reduction, a variety of other Left political institutions in Western Europe, North America, and Australia have been very effective in reducing poverty. Labor market institutions, unions, and true Left political parties may have weaknesses, but still accomplished poverty reduction. Arguably, a truly comprehensive and effective strategy to reduce poverty should incorporate strong Left political institutions (Wilson 1996, 1999; Wright 2000).

The influence of Left political institutions on poverty partially combines with and partially channels through the welfare state. The balance of political power carries clear significance for the poor in rich Western democracies. As many welfare state scholars have documented, Left political institutions trigger an expansion of the welfare state. As past research also demonstrates, this welfare state expansion reduces state mediated (SM) poverty (Hanratty and Blank 1992; Kenworthy 1999; McFate et al. 1995; Page and Simmons 2000; Smeeding et al. 2001; Brady 2002). Relatedly, many studies demonstrate that the ascendance of Right and Right-Center governments results in welfare state contractions (Levi 1999; Lo and Schwartz 1998; Zylan and Soule 2000). These results demonstrate that such contractions produce an increase in poverty. Ultimately, the welfare state remains a crucial determinant of poverty, while Left political institutions contribute to poverty reduction as well. Several of the Left political institutions combine with the welfare state to reduce SM poverty. These Left political institutions significantly reduce poverty even after controlling for the powerful influence of the

welfare state. Despite the central importance of the welfare state, Left political institutions play an essential role in the political economy of poverty.<sup>19</sup>

By contrast to the support found for the channeled and combined explanations, the separate effects explanation receives no support. Inconsistent with the separate account, poverty is not reduced in the labor market antecedent to the welfare state. It should be noted that though great variation exists in the strength Left political institutions, little variation exists in market generated (MG) poverty across the rich Western democracies from 1967 to 1997. Further, though labor market institutions have been linked to wage inequality, they are not associated with MG poverty. The benefits accrued in the labor market from Left political institutions do not distribute evenly and benefit the bottom of the income distribution.

In addition to the main conclusions emerging from these results, this study informs additional debates in research on poverty and inequality; the welfare state; and political mobilization and social movements. First, this study contributes to the study of poverty and inequality generally. For some time now, scholars have established a link between Left political institutions and inequality. Probably partly because data traditionally has been much more available on inequality than poverty, the political sources of inequality has been established much more thoroughly than the study of poverty (Alderson and Nielsen 2002; Gustafsson and Johansson 1999; Wallace et al. 1999). Importantly, however, the exclusive focus on inequality seems somewhat unbalanced. Realistically, poverty, more than inequality, was the main historical concern of many social activists and reformers, and arguably poverty was the greater problem of industrialized democracies. Until now, the paucity of high quality data on poverty limited the study of this original concern of proponents of Left political institutions. Fortunately, the advent of the Luxembourg Income Study (LIS) and the public availability of estimates of

cross-national and historical poverty indices should ignite this topic of study. Hopefully in the future, other scholars will use available poverty estimates (e.g. Brady 2003a; Smeeding et al 2001) to match the depth of quality, rigorous research that has marked the study of inequality.

Second, this paper can potentially contribute to welfare state studies. Continuing scholarly debates about the relative importance of state-centered or society-centered factors for welfare state development may be misplaced. Because the welfare state is a crucial determinant of poverty, of course government bureaucrats, policy-makers and administrators are essential to the lives of poor people. Further, because Left political institutions partially channel through the state rather than affecting poverty separately from the welfare state, the state is clearly central to the issue. But, an unwillingness to acknowledge the role of societal mobilization leads to an unrealistic portrait of how the welfare state affects poor people. Poverty is reduced both as a result of mobilization within the state and emanating from outside the state. Also, Left political institutions combine with and do not solely channel through the welfare state. A balanced account of the welfare state should appreciate the role of both societal (e.g. labor market institutions and organized labor) and state (e.g. political parties) factors, since both truly impact the extent of poverty in a given society. While Huber and Stephens (2001) contend that the long-term partisan composition of government is the central determinant of the historical development of welfare states, this study shows that the contemporary strength of a variety of Left political institutions is equally crucial to the welfare state's poverty reduction. Only by recognizing and appreciating the equal roles of Left political institutions in society and the state can scholars begin to fully grasp the nature of how the welfare state impacts the poor.

Third, this paper contributes to debates on the consequences of social movements. In past discussions of the consequences of social movements, labor movement research has largely

been neglected (e.g. Giugni 1999). Despite a wealth of studies that frame organized labor as a social movement and document real consequences, social movement scholars often myopically lament that little research demonstrates movement consequences. If one recognizes that social movements have similar features to interest groups like political parties and labor unions, and given that unions and parties share much with social movement organizations (Andrews 2001; Burstein 1999; Burstein and Linton 2002; Wallace 1987; Wallace et al. 1999), this paper provides clear evidence of significant consequences of social movements. Rather than trying to draw arbitrary distinctions between social movements, interest groups, and power resources, potentially others can view this study as an attempt to recognize their complementarity (Burstein and Linton 2002). Research on social movement consequences could benefit greatly by taking stock of the contributions of labor movement scholars, and could view this study as an example of recognizing their common consequences.

In summary, this research documents the important role of Left political institutions as sources of poverty reduction. Thinkers across the disciplinary and political spectrum often assert that poverty is the unfortunate byproduct of economic and demographic factors. By contrast, this analysis demonstrates that poverty is actually more the consequence of the contested political struggle over the distribution of economic resources. More specifically, this study shows that during the latter period of the twentieth century, the strength of Left political institutions in rich Western democracies partially combined with and partially channeled through the welfare state to reduce poverty. Utilizing two measures of poverty and eight measures of Left political institutions, this study provides evidence of the power of Left political institutions to redistribute income effectively. Though the welfare state remains a crucial determinant of poverty, this paper displays the salience of Left political institutions. Hence, this study builds toward a

comparative institutional or political economic explanation of poverty. A full understanding of the causes of poverty in advanced capitalist democracies should recognize the important role of Left political institutions while appreciating the crucial role of the welfare state.

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**Table 1.** Voter and Left Political Party Determinants of **Market Generated** Poverty in Rich Western Democracies, 1967-1997 (N=73).

|  | <i>Model 1</i>    | <i>Model 2</i>   | <i>Model 3</i>     | <i>Model 4</i>     |
|--|-------------------|------------------|--------------------|--------------------|
| Economic Growth  | .251**<br>(2.34)  | .257**<br>(2.39) | .255**<br>(2.35)   | .241**<br>(2.33)   |
| Productivity   | .00001<br>(.16)   | .000001<br>(.02) | -.000001<br>(-.01) | -.000004<br>(-.06) |
| Unemployment   | .499***<br>(2.87) | .430**<br>(2.33) | .445**<br>(2.47)   | .481***<br>(2.81)  |
| % Population Not in Labor Market                         | .156<br>(1.08)    | .204<br>(1.44)   | .205<br>(1.44)     | .248*<br>(1.81)    |
| % Children in Single Mother Families                     | .400***<br>(2.63) | .382**<br>(2.47) | .388**<br>(2.51)   | .315**<br>(2.07)   |
| Public Health Spending as % of Total Health Spending     | .052<br>(.71)     | .099<br>(1.29)   | .097<br>(1.30)     | .046<br>(.64)      |
| Social Security Transfers as % of GDP                    | .044<br>(.28)     | .102<br>(.63)    | .096<br>(.60)      | -.002<br>(-.01)    |
| Voter Turnout  | .122*<br>(1.67)   |                  |                    |                    |
| % of Votes for Left Parties                              |                   | -.054<br>(-.82)  |                    |                    |
| % of Seats in Parliament for Left Parties                |                   |                  | -.027<br>(-.62)    |                    |
| Cumulative Left Seats as % of All Govt. Seats Since 1946 |                   |                  |                    | .197**<br>(2.34)   |
| Constant   | -2.663<br>(-.22)  | 2.806<br>(.22)   | 2.007<br>(.16)     | 2.032<br>(.17)     |
| BIC'   | -9.571            | 15.178           | 11.350             | -9.279             |
| R <sup>2</sup> Within                                    | .412              | .443             | .434               | .461               |
| R <sup>2</sup> Between                                   | .509              | .237             | .280               | .413               |
| R <sup>2</sup> Overall                                   | .452              | .231             | .270               | .450               |

Note: All models are estimated with random effects. The numbers in parentheses are t-scores.

\*\*\* p<.01      \*\*p<.05      \*p<.10 (two-tailed tests)

**Table 2.** Labor Market Institutions and Organized Labor Determinants of **Market Generated** Poverty in Rich Western Democracies, 1967-1997 (N=73).

|  | <i>Model 1</i>    | <i>Model 2</i>    | <i>Model 3</i>     | <i>Model 4</i>     |
|--|-------------------|-------------------|--------------------|--------------------|
| Economic Growth                                      | .234**<br>(2.16)  | .234**<br>(2.17)  | .252**<br>(2.32)   | .249**<br>(2.30)   |
| Productivity   | -.00002<br>(-.24) | -.00001<br>(-.09) | -.000003<br>(-.04) | -.000004<br>(-.06) |
| Unemployment   | .483***<br>(2.72) | .552***<br>(2.85) | .468***<br>(2.62)  | .468***<br>(2.63)  |
| % Population Not in Labor Market                     | .216<br>(1.53)    | .204<br>(1.44)    | .205<br>(1.42)     | .212<br>(1.49)     |
| % Children in Single Mother Families                 | .427***<br>(2.70) | .414***<br>(2.67) | .389**<br>(2.50)   | .392**<br>(2.53)   |
| Public Health Spending as % of Total Health Spending | .070<br>(.95)     | .060<br>(.80)     | .081<br>(1.10)     | .085<br>(1.12)     |
| Social Security Transfers as % of GDP                | .075<br>(.47)     | .026<br>(.15)     | .081<br>(.50)      | .081<br>(.50)      |
| Wage-Setting Coordination                            | .398<br>(.94)     |                   |                    |                    |
| Neocorporatism                                       |                   | 3.755<br>(1.04)   |                    |                    |
| Gross Union Density                                  |                   |                   | -.008<br>(-.25)    |                    |
| Employed Union Density                               |                   |                   |                    | -.006<br>(-.13)    |
| Constant   | 1.609<br>(.13)    | 2.414<br>(.19)    | 2.796<br>(.22)     | 2.012<br>(.16)     |
| BIC'   | 2.222             | 1.972             | 8.992              | 8.559              |
| R <sup>2</sup> Within                                | .426              | .434              | .425               | .424               |
| R <sup>2</sup> Between                               | .359              | .318              | .312               | .315               |
| R <sup>2</sup> Overall                               | .356              | .358              | .293               | .297               |

Note: All models are estimated with random effects. The numbers in parentheses are t-scores.

\*\*\* p<.01      \*\*p<.05      \*p<.10 (two-tailed tests)

**Table 3.** Voter and Left Political Party Determinants of **State Mediated** Poverty in Rich Western Democracies, 1967-1997 (N=74).

|  | <i>Model 1</i>     | <i>Model 2</i>      | <i>Model 3</i>      | <i>Model 4</i>      | <i>Model 5</i>      | <i>Model 6</i>      | <i>Model 7</i>      | <i>Model 8</i>      |
|--|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Economic Growth  | -.035<br>(-.81)    | -.045<br>(-1.08)    | -.024<br>(-.55)     | -.038<br>(-.94)     | -.028<br>(-.65)     | -.041<br>(-1.00)    | -.039<br>(-.80)     | -.046<br>(-1.08)    |
| Productivity   | -.00002<br>(-.83)  | -.00003<br>(-1.37)  | -.00001<br>(-.23)   | -.00003<br>(-1.22)  | -.00001<br>(-.28)   | -.00003<br>(-1.29)  | .000004<br>(.13)    | -.00003<br>(-1.13)  |
| Unemployment   | -.072<br>(-1.14)   | -.006<br>(-.09)     | -.107*<br>(-1.71)   | -.034<br>(-.54)     | -.095<br>(-1.51)    | -.027<br>(-.44)     | -.084<br>(-1.32)    | -.011<br>(-.18)     |
| % Population Not in Labor Market                         | .077<br>(1.38)     | .003<br>(.06)       | .027<br>(.50)       | -.012<br>(-.25)     | .022<br>(.40)       | -.017<br>(-.33)     | .001<br>(.01)       | -.020<br>(-.39)     |
| % Children in Single Mother Families                     | .096<br>(1.59)     | .073<br>(1.27)      | .081<br>(1.37)      | .060<br>(1.07)      | .093<br>(1.56)      | .066<br>(1.17)      | .185***<br>(3.03)   | .082<br>(1.38)      |
| Public Health Spending as % of Total Health Spending     |                    | -.091***<br>(-3.38) |                     | -.078***<br>(-2.95) |                     | -.080***<br>(-3.12) |                     | -.097***<br>(-3.80) |
| Social Security Transfers as % of GDP                    |                    | -.154***<br>(-2.84) |                     | -.136**<br>(-2.53)  |                     | -.143***<br>(-2.74) |                     | -.145***<br>(-2.79) |
| Voter Turnout  | -.075**<br>(-2.57) | -.016<br>(-.65)     |                     |                     |                     |                     |                     |                     |
| % of Votes for Left Parties                              |                    |                     | -.082***<br>(-3.57) | -.043**<br>(-1.96)  |                     |                     |                     |                     |
| % of Seats in Parliament for Left Parties                |                    |                     |                     |                     | -.054***<br>(-3.27) | -.032**<br>(-2.05)  |                     |                     |
| Cumulative Left Seats as % of All Govt. Seats Since 1946 |                    |                     |                     |                     |                     |                     | -.093***<br>(-3.36) | -.020<br>(-.69)     |
| Constant   | 8.664**<br>(2.04)  | 17.833***<br>(4.02) | 8.143**<br>(2.13)   | 17.733***<br>(4.11) | 7.302**<br>(1.91)   | 17.895***<br>(4.16) | 6.294<br>(1.61)     | 18.049***<br>(4.20) |
| BIC'   | 1.041              | -45.117             | -24.791             | -50.373             | -24.761             | -53.196             | -38.512             | -52.906             |
| R <sup>2</sup> Within                                    | .102               | .132                | .087                | .163                | .080                | .162                | .004                | .089                |
| R <sup>2</sup> Between                                   | .212               | .701                | .472                | .720                | .487                | .735                | .765                | .774                |
| R <sup>2</sup> Overall                                   | .285               | .659                | .495                | .682                | .495                | .694                | .581                | .693                |

Note: All models are estimated with random effects. The numbers in parentheses are t-scores.

\*\*\* p<.01      \*\*p<.05      \*p<.10 (two-tailed tests)

**Table 4.** Labor Market Institutions and Organized Labor Determinants of **State Mediated** Poverty in Rich Western Democracies, 1967-1997 (N=74).

|  | <i>Model 1</i>      | <i>Model 2</i>      | <i>Model 3</i>       | <i>Model 4</i>       | <i>Model 5</i>      | <i>Model 6</i>      | <i>Model 7</i>      | <i>Model 8</i>      |
|--|---------------------|---------------------|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|
| Economic Growth                                      | -.016<br>(-.35)     | -.023<br>(-.57)     | -.019<br>(-.43)      | -.029<br>(-.68)      | -.022<br>(-.50)     | -.033<br>(-.81)     | -.040<br>(-.92)     | -.046<br>(-1.11)    |
| Productivity   | .00001<br>(.46)     | -.00002<br>(-.68)   | -.00001<br>(-.37)    | -.00003<br>(-1.05)   | .000003<br>(.10)    | -.00003<br>(-1.11)  | -.00001<br>(-.45)   | -.00003<br>(-1.39)  |
| Unemployment   | -.086<br>(-1.35)    | -.035<br>(-.63)     | -.168***<br>(-2.64)  | -.101<br>(-1.53)     | -.056<br>(-.91)     | -.005<br>(-.08)     | -.057<br>(-.91)     | -.002<br>(-.03)     |
| % Population Not in Labor Market                     | .046<br>(.83)       | -.015<br>(-.34)     | .032<br>(.61)        | -.023<br>(-.50)      | .013<br>(.23)       | -.036<br>(-.74)     | .029<br>(.52)       | -.019<br>(-.38)     |
| % Children in Single Mother Families                 | .070<br>(1.12)      | .033<br>(.61)       | .105*<br>(1.81)      | .056<br>(1.04)       | .106*<br>(1.77)     | .067<br>(1.21)      | .101*<br>(1.69)     | .074<br>(1.31)      |
| Public Health Spending as % of Total Health Spending |                     | -.092***<br>(-4.24) |                      | -.091***<br>(-4.14)  |                     | -.088***<br>(-3.70) |                     | -.084***<br>(-3.23) |
| Social Security Transfers as % of GDP                |                     | -.140***<br>(-3.08) |                      | -.082<br>(-1.60)     |                     | -.141***<br>(-2.82) |                     | -.151***<br>(-2.94) |
| Wage-Setting Coordination                            | -.507***<br>(-2.99) | -.430***<br>(-3.05) |                      |                      |                     |                     |                     |                     |
| Neocorporatism                                       |                     |                     | -4.436***<br>(-4.50) | -2.471***<br>(-2.61) |                     |                     |                     |                     |
| Gross Union Density                                  |                     |                     |                      |                      | -.038***<br>(-3.20) | -.027**<br>(-2.51)  |                     |                     |
| Employed Union Density                               |                     |                     |                      |                      |                     |                     | -.055***<br>(-3.09) | -.025*<br>(-1.67)   |
| Constant   | 5.040<br>(1.35)     | 18.608***<br>(4.68) | 7.498**<br>(2.06)    | 18.467***<br>(4.64)  | 6.634*<br>(1.75)    | 19.115***<br>(4.53) | 7.299*<br>(1.88)    | 18.264***<br>(4.23) |
| BIC'   | -25.055             | -66.775             | -34.576              | -64.374              | -6.866              | -52.044             | 1.237               | -46.939             |
| R <sup>2</sup> Within                                | .050                | .142                | .011                 | .077                 | .093                | .175                | .096                | .141                |
| R <sup>2</sup> Between                               | .617                | .843                | .711                 | .852                 | .440                | .766                | .332                | .748                |
| R <sup>2</sup> Overall                               | .497                | .745                | .558                 | .737                 | .357                | .689                | .283                | .667                |

Note: All models are estimated with random effects. The numbers in parentheses are t-scores.

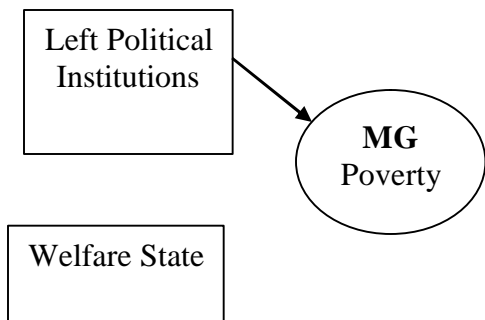
\*\*\* p<.01      \*\*p<.05      \*p<.10 (two-tailed tests)

**Appendix.** Descriptive Statistics for Variables in Analysis: Means and Standard Deviations in Parentheses.

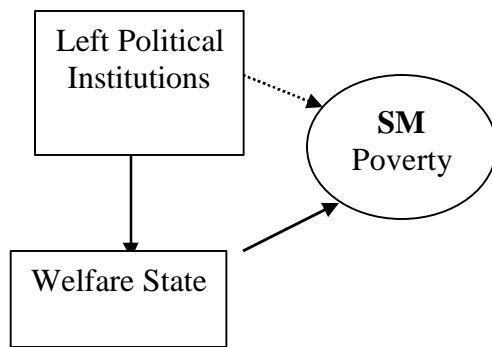
|  | <i>Market Generated Poverty (N=73)</i> | <i>State Mediated Poverty (N=74)</i> |
|--|--|--------------------------------------|
| Dependent Variable                                       | 28.609<br>(5.069)                      | 6.570<br>(2.322)                     |
| Economic Growth  | 2.255<br>(3.557)                       | 2.262<br>(3.548)                     |
| Productivity   | 44633.630<br>(7161.442)                | 44451.660<br>(7112.311)              |
| Unemployment   | 7.034<br>(3.366)                       | 6.999<br>(3.355)                     |
| % Population Not in Labor Market                         | 53.878<br>(5.401)                      | 53.822<br>(5.320)                    |
| % Children in Single Mother Families                     | 10.911<br>(4.597)                      | 10.941<br>(4.572)                    |
| Public Health Spending as a % of Total Health Spending   | 75.303<br>(12.878)                     | 75.790<br>(12.008)                   |
| Social Security Transfers as % of GDP                    | 15.523<br>(4.820)                      | 15.770<br>(4.738)                    |
| Voter Turnout  | 77.786<br>(12.318)                     | 78.278<br>(12.218)                   |
| % of Votes for Left Parties                              | 34.285<br>(15.341)                     | 35.039<br>(14.793)                   |
| % of Seats in Parliament for Left Parties                | 35.282<br>(17.496)                     | 36.031<br>(16.949)                   |
| Cumulative Left Seats as % of All Govt. Seats Since 1946 | 13.191<br>(11.151)                     | 13.791<br>(11.255)                   |
| Wage-Setting Coordination                                | 3.068<br>(1.521)                       | 3.149<br>(1.523)                     |
| Neocorporatism   | .454<br>(.343)                         | .472<br>(.348)                       |
| Gross Union Density                                      | 42.285<br>(21.185)                     | 42.641<br>(20.939)                   |
| Employed Union Density                                   | 43.371<br>(19.860)                     | 43.710<br>(19.621)                   |

**Figure 1.** Potential Causal Relationships Between Left Political Institutions and Poverty: Separate, Channeled or Combined

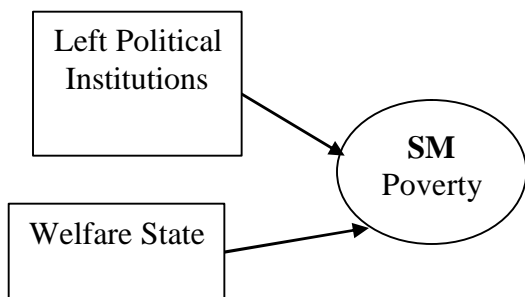
*SEPARATE*



*CHANNELED*



*COMBINED*





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<sup>1</sup> The term “political institutions” is meant to connote nothing more than durable state-society associations in a democracy (Hicks 1999; Hicks and Kenworthy 1998; Western 1997) and is meant to encompass “power resources” or “political resources” (Quadagno 1992). Huber and Stephens (2001: 17) describe power resources theory as, “The struggle over welfare states is a struggle over distribution, and thus the organizational power of those standing to benefit from redistribution, the working and lower middle classes, is crucial.” My conceptualization of Left political institutions is broadly consistent with this, except that I intend to encompass the mobilization of the poor themselves as well. Though Huber and Stephens (2001: 17) contend that, “political parties perform [the] crucial mediating role,” I mean to equally value a broader variety of different Left political institutions (Clemens and Cook 1999).

<sup>2</sup> Several scholars specifically assert that voter mobilization and political democratization encourage social policy expansion and in turn, plausibly reduce social inequality and poverty (Amenta 1998; Manza and Brooks 1999; Skocpol 1992).

<sup>3</sup> Andrews (2001) provides a vivid account of this dynamic in the Civil Rights movement’s impact on the War on Poverty in Mississippi between 1965 and 1971. Andrews finds that membership levels of Mississippi Freedom Democratic Party and the National Association for the Advancement of Colored People, the number of Black candidates for electoral office, the percentage voting for Lyndon Johnson, and local government employment influenced county-level funding for Community Action Programs – which plausibly resulted in less poverty.

<sup>4</sup> Piven and Cloward specifically argue that bureaucratic organizations blunted the militancy and compromised the potential success of the Civil Rights, Welfare Rights, Unemployed Workers’

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and Industrial Workers' movements. While others view strong formal political institutions positively, they assert that the internal oligarchy and integration with external elites of these formal organizations weakened the movement's influence. Opposing pluralist accounts of the influence of institutionalized interest groups, they argue that disruptive, militant protest causes the government to expand the welfare state and redress poverty while formal political institutions do not.

<sup>5</sup> RE models include a country-specific error term in addition to the general error term. FE models incorporate country-specific constant terms instead of a general constant term (see Hsiao 1986).

<sup>6</sup> Alderson and Nielsen (1999: 616) explain that "It can be shown that the FEM is equivalent to applying OLS regression to the data transformed by subtracting the country-specific means from the original data, while the REM equivalent transformation consists in subtracting only a fraction of the country-specific means (Hsiao 1986: 36; Rosenfeld and Nielsen 1984)." Hence, RE models more greatly facilitate the explanation of cross-national variation with causal variables, rather than simply controlling for such variation with fixed effects (Brady 2002).

<sup>7</sup> BIC' very strongly prefers RE over FE in all models (see Beck and Katz 2001: 492; Teachman et al. 2001). Hausman's Chi-Square accepts RE for all models.

<sup>8</sup> Given that the dependent variable is continuous, I utilize BIC' instead of BIC. Raftery (1995) shows that a difference in BIC' of 0-2 offers weak evidence for model selection, 2-6 offers positive evidence, 6-10 offers strong evidence, and greater than 10 offers very strong evidence. Following others who effectively use BIC' (e.g. Manza and Brooks 1999), I do not solely rely on BIC', but consider it in tandem with the significance and size of coefficients. While a strict reliance on BIC' would require eliminating insignificant economic or demographic variables, I

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choose to keep those variables to preserve a more complete model of economics and demographics and reduce the chance of Type II errors for the welfare state effects.

<sup>9</sup> At a maximum, the U.S., Canada Germany and the U.K. contribute seven cases, and at a minimum, Switzerland contributes two. For Austria in 1987 and 1995, data on income before taxes and transfers (MG) was unavailable. For the U.S. in 1969, data on income after taxes and transfers (SM) was unavailable. Given the unavailability of these cases, my sample is 71 cases for MG poverty and 72 for SM poverty. Other nations included in the analysis (and the number of cases) are Australia (4), Austria (4) Belgium (4), Denmark (4), Finland (3), France (5), Ireland (4), Italy (3), Netherlands (4), Norway (4), and Sweden (6). This list represents all cases of rich Western democracies with complete data in the LIS and for the political economic determinants.

<sup>10</sup> Following convention, I standardize income by household size using the LIS/ OECD equivalence scale (Buhmann et al. 1988). This scale weights the head of the household as one, additional adults as .5, and children as .3, owing to the differential demands on a household's resources that heads, other adults and children require.

<sup>11</sup> Within the LIS data, MG income incorporates the variables: gross wages and salaries (V1), farm self-employment income (V4), non-farm self-employment income (V5), private pensions (V32), other regular private income (V34) and other cash income (V35).

<sup>12</sup> Kenworthy codes this variable as follows: 1 = fragmented wage bargaining, confined largely to individual firms or plants; 2 = bargaining mainly at industry-level with little or no pattern-setting; 3 = industry-level bargaining with reasonably strong pattern-setting but only moderate union concentration; 4 = centralized bargaining by confederation(s) or government imposition of wage schedule/freeze – without a peace obligation, high degree of union concentration and extensive, regularized pattern-setting, tacit coordination of bargaining by employer organizations

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with extensive pattern-setting; 5 = centralized bargaining by confederation(s) or government imposition of wage schedule/freeze – with a peace obligation, extremely high degree of union concentration and coordination of industry bargaining by confederation, extensive coordination of bargaining by employer organizations with extensive pattern-setting.

<sup>13</sup> To form the scale of neocorporatism, Hicks and Kenworthy include indicators of tripartite neocorporatism (centered both in the economic system and society, and the political system), long-term firm-investor relationships, long-term purchaser-supplier relationships, centralized business confederations, wage coordination, cooperation between government and interest groups, multidivisional project teams, participating teamwork arrangements, long term employment security guaranteed by firms, and alliances among competing firms for a variety of functions.

<sup>14</sup> For a full theoretical justification of the inclusion and operationalization of these specific control variables, please consult Brady (2002, 2003b).

<sup>15</sup> In analyses available upon request, I decomposed this variable and analyzed the percentage of the population over 65, the percentage of the population children, and total and female labor participation. Including these variables instead of this summary measure does not alter any of the substantive conclusions. Solely to preserve degrees of freedom, I rely on this more parsimonious measure that summarizes these demographic groups.

<sup>16</sup> Both features of the welfare state are measured contemporaneously in the present year. In analyses available upon request, I have estimated these models with lagged values and moving averages and the results are consistent.

<sup>17</sup> On the whole, this paper does not examine the possibility that Left partisan political power (e.g. voter turnout, left party strength) results from poverty – where poverty is an independent

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variable. While much research suggests this causal relationship (e.g. Manza and Brooks 1999; Winders 1999), I concluded it was simply beyond the scope of the current study. Future research could investigate this dynamic with Brady's (2003a) data on poverty.

<sup>18</sup> BIC' provides further evidence that a channeled account is statistically preferred to a combined account. Though models 2, 4, 6 and 8 are preferred to models 1, 3, 5 and 7, BIC' prefers models that include measures of the welfare state and omit the voter and Left political party variables.

<sup>19</sup> Because the measures of Left political institutions and the welfare state are not perfectly correlated, some nations have a generous welfare state without strong Left political institutions. Though this paper does not explicitly test the issue, these results suggest that poverty could still be reduced without strong Left political institutions. In the absence of Left mobilization, if the welfare state could be expanded through other means, poverty could still be reduced.