

Opportunity Matters: Economic Inequality and Redistribution across Western Democracies

by

Bastian Becker

Submitted to

Central European University

Doctoral School of Political Science, Public Policy and International
Relations

In partial fulfillment of the requirements for the degree of Doctor of
Philosophy

Supervisor: Professor Thilo Bodenstein

Budapest, Hungary

2017

Summary

Despite widely shared equal opportunity norms, all Western democracies are marked by income gaps between people of different gender, race, ethnicity, and family background. Why do democratic governments not institute policies to alleviate such gaps? Political economy scholarship posits that people's demands for redistribution are key to the introduction of such policies. This scholarship is often concerned with income differences between the rich and the poor but has little to say about how other cleavages come into play. Therefore, this dissertation explores how people's demands for redistribution are affected by the presence of income gaps.

In this dissertation, it is argued that based on income gaps, people form beliefs about their own economic opportunities and inequality in opportunity more generally. However, since people do not usually have access to sufficient information to form accurate beliefs about inequality in opportunity, they only hold accurate beliefs about their own economic opportunities. While people both reject unequal opportunities (inequity-aversion) and seek to maximize their well-being (self-interest), having inaccurate beliefs about the first has the consequence that people's redistributive preferences only serve to maximize the returns from their own opportunities. Therefore, redistributive preferences are more polarized in those democracies where income gaps are larger and opportunities more unequal. This polarization makes it harder for political actors to build coalitions around redistributive policies, undermining progressive policy change.

To support these arguments, this dissertation explores the formation of redistributive preferences comparatively, in a total of 21 Western democracies, including the United States and various Central and Eastern European countries. Most empirical chapters are based on secondary data sources and explore how both objective measures and subjective beliefs about inequality in opportunity can explain differences in redistributive preferences. The advanced arguments are further supported through an online survey experiment, which finds that information on income gaps strengthens the workings of inequity-aversion. Finally, a cross-country analysis shows that the suggested effect of polarization due to inequality in opportunity on governmental redistribution is robust to various alternative explanations.

In sum, this dissertation demonstrates how a closer incorporation of social cleavages into existing political economy frameworks can enhance our understanding of dynamics of inequality and redistribution in democracies. Further research should go beyond the limited time frame of this dissertation, which is restricted to a cross-sectional comparison of contemporary democracies.