On the Relationship between Political Inequality and Economic Inequality: A Cross-National Study

Joshua Kjerulf Dubrow*
Institute of Philosophy and Sociology
Polish Academy of Sciences

On the Relationship between Political Inequality and Economic Inequality: A Cross-National Study

Abstract

Measuring political inequality with level of democracy assumes that the introduction of political rights and civil liberties leads directly to reduction of inequalities. But, as Verba et al (1978) point out, for democracy to reduce inequality, rights and liberties are not enough; citizens must also be engaged in political participation. Political participation is stratified, such that the advantaged tend to participate more than the disadvantaged. Political non-participation of the disadvantaged leads to an increase in economic inequality, or maintains its status quo. Thus, democracy as a measure of political inequality does not shed much light on the link between economic and political *inequality*, i.e. the degree to which nations are internally-stratified in terms of political resources. The purpose of this paper is to empirically demonstrate that political non-participation of the disadvantaged, i.e. political inequality is (a) a measure separate from that of level of democracy and (b) has a direct relationship to economic inequality. Specifically, I test the main hypothesis that political inequality has a positive relationship with economic inequality. Using European Social Survey Rounds 2 and 3, I compute political inequality scores by aggregating responses to political participation variables to the country level. With 30 countries as my units of analysis and a gini index of income inequality as a measure of economic inequality, this study empirically demonstrates that the existence of democracy is not equivalent to political participation as a measure of political inequality, and that political inequality has a substantial, positive and linear relationship with economic inequality. Suggestions for future research conclude the paper.

Introduction

To understand the relationship between political inequality and economic inequality, most conceptualize political inequality as equivalent to the level of democracy (Bollen and Jackman 1985; Muller 1988; Simpson 1990; Hughes 1997). Many scholars find a curvilinear relationship between democracy and an economic outcome, i.e. Kuznets' curve. Measuring political inequality with level of democracy assumes that the introduction of political rights and civil liberties leads directly to reduction of inequalities. But, as Verba et al (1978) point out, for democracy to reduce inequality, rights and liberties are not enough; citizens must also be engaged in political participation (see also APSA 2004). Thus, it is not democracy alone that matters, but what citizens do with the rights and liberties allowed by democracy. The relationship between participation and redistributive policies is further complicated by within-nation social stratification. Political participation is stratified, such that the advantaged tend to participate more than the disadvantaged. Economic distributive policy reflects the interests of the advantaged precisely because the advantaged are more politically active. Political non-participation of the disadvantaged leads to an increase in economic inequality, or maintains its status quo. Democracy as a measure of political inequality does not shed much light on the link between economic and political *inequality*, i.e. the degree to which nations are internally-stratified in terms of political resources. Democracy does have a relationship to economic outcomes, but it is not equivalent to political inequality.

The purpose of this paper is to empirically demonstrate that political non-participation of the disadvantaged, i.e. political inequality is (a) a measure separate from that of level of democracy and (b) has a direct relationship to economic inequality. Since Verba et al, few have explored this topic with cross-national samples, and no modern study has a sufficient sample size to adequately explore the relationship between political and economic inequality[1].

Hypotheses

Political inequality refers to the differential distribution of political resources (for a review of recent cross-national literature, see Dubrow 2008)[2]. In this paper I measure political inequality in three ways: (a) as political participation that is analytically distinct from voting, (b) as voter turnout, and (c) as a combination

of the two. To test Verba et al's (1978) assertion, I measure political non-participation of the disadvantaged and voter non-turnout of the disadvantaged. Redistributive policies of economic resources are measured by gini of income inequality (see below).

From the theory above come the following hypotheses.

Hypothesis 1: Relationship between level of democracy and economic inequality is curvilinear, resembling Kuznets' inverted U-shaped curve.

Hypothesis 2: The greater the political non-participation of the disadvantaged, the greater the economic inequality.

Hypothesis 3: The greater the voter non-turnout of the disadvantaged, the greater the economic inequality.

Hypothesis 4: Political inequality has a positive relationship with economic inequality.

Methods

Measurement Strategy

The main measurement strategy is to construct a country-level dataset, where each country has an interval level variable that measures political inequality, economic inequality, and level of democracy. To obtain a sufficient sample size for quantitative analysis, secondary analysis of a large, cross-national dataset with individuals as units of analysis is essential. This dataset must have measures of political participation and variables that can identify within-nation disadvantaged social structural position. From this dataset one can compute political inequality scores by aggregating to the country level responses of the disadvantaged to political participation questionnaire items. As this study serves to demonstrate basic relationships, I focus on well-known measures of economic inequality and level of democracy.

Data

Data come from various sources. To measure political inequality I use the European Social Survey (ESS), Rounds 2 and 3, to calculate each country's political participation and voter turnout scores. The ESS is a cross-sectional and cross-national survey project with individuals as the units of analysis. The ESS counts in "Rounds:" Round 1 data were collected in 2002, Round 2 data were collected in 2004 and Round 3 data were collected in 2006. To measure economic inequality, I use various statistical databases that compile country level income gini scores, including U.N.D.P., Eurostat 2005, and central statistical offices. To

measure level of democracy, I rely on Freedom House reports. My sample size is restricted to 30 countries inside or immediately adjacent to the European continent and that participated in ESS.

Variables

As description of the variables is in Table 1, I comment on some general properties of selected variables. My dataset is cross-sectional as not all data were available in all waves of ESS. In coding, a guiding principle was to obtain the most recent information. For example, Czech Republic, Greece, Iceland, Luxembourg, and Turkey are only available in Round 2. Thus, their political inequality scores reflect 2004, whereas Round 3 countries such as United Kingdom, France, and Romania have political inequality scores from 2006. Economic inequality is based on the most recent data, from 2007. The exception to the guiding rule was level of democracy, which comes from 2005 scores. This year was selected as the midpoint between the two ESS rounds used in this study. Distribution of scores is in Table 2.

-- Table 1 about here –

-- Table 2 about here –

In this study, cross-national measurement of political inequality, i.e. political participation, was based on the concept of functional equivalence, as opposed to formal equivalence (Verba et al 1978). To this end, I conceived political participation as having three separate elements: experience in political organizing, experience in personal activism, and experience with attending lawful political demonstrations. Composite indexes of political organizing and personal activism were created by adding the constituent variables in common metric (in this case, 1,0); the indexes were standardized so that mean = 0, and standard deviation = 1. Political protest is a dichotomous variable. Political participation was a factor analysis of these variables (see Table 3). To measure total political inequality, a composite index was created out of percent of the disadvantaged who lack political participation experience and those who did not vote. Level of democracy was a composite index of political rights and civil liberties.

-- Table 3 about here --

5

Disadvantaged social structural position was measured by household income quintile, where the lowest quintile was identified as the disadvantaged. When household income was not available or highly skewed for a particular country (e.g. close to 100 percent were in lowest quintile), a perception of economic strain variable was used as a measure of disadvantage, i.e. "Feeling about household's income nowadays," with the main response variable as "Very difficult on present income." To more accurately reflect relative disadvantage, in some countries difficult and very difficult were combined.

Analytical Strategy and Main Findings

To address hypothesis one regarding the relationship between economic inequality and level of democracy, Figure 1 plots each of the 30 countries. As expected, the relationship resembles Kuznets' inverted U-shaped curve.

-- Figure 1 about here –

Bivariate correlations (Table 4) reveal the relationship between level of democracy and economic inequality and political inequality. Level of democracy is moderately related to economic inequality ($r = 0.402$, $p<0.05$) and political non-participation of the disadvantaged ($r = -0.407$, $p<0.05$), but is not related to voter turnout of the disadvantaged or total political inequality. This suggests that the existence of political rights is distinct from the exercise of those rights; political inequality is an analytically distinct concept from level of democracy.

-- Table 4 about here –

To address hypotheses two and three regarding the relationship between components of political inequality and economic inequality, Figures 2 and 3 demonstrate that these components are positively related to economic inequality. Bivariate correlations show that political non-participation of the disadvantaged is moderately and substantially related to economic inequality ($r = 0.467$, $p<0.01$) and voter non-turnout, on its own, is not statistically significant. This suggests that when the disadvantaged do not participate in non-voting activities, economic inequality should be present.

-- Figure 2 about here –

-- Figure 3 about here –

6

To address hypothesis four regarding the relationship between political inequality and economic inequality, Figure 4 demonstrates that there is a substantial, positive relationship between the two. Bivariate correlation is moderate, positive, linear and substantial (r = 0.440, p<0.05). This suggests that political inequality matches economic inequality at each successive level of inequality.

-- Figure 4 about here –

Conclusion and Discussion

This purpose of this paper was to demonstrate that political inequality is analytically distinct from level of democracy and that it has a separate, positive relationship with economic inequality. Verba et al (1978) argued that the relationship between democracy and redistributive policies, including policies pertaining to economic resources, is mediated by stratification of political participation. This modern and larger sample size study of democratic nations verifies Verba et al's (1978) assertions. It empirically demonstrates that the existence of democracy is not equivalent to political participation as a measure of political inequality, and that political inequality has a substantial, positive and linear relationship with economic inequality.

To underscore this point, and to demonstrate the relative strength of the composite measure of political inequality, I conducted ordinary least square regression of economic inequality on its political determinants (Table 5). In this case, the use of regression is not meant to suggest causal relationships, but rather to (a) illuminate the analytical distinction between level of democracy and political inequality and (b) to highlight the relative contributions of the components of political inequality in explaining economic inequality. Three models were conducted; unstandardized coefficients are presented. The first conclusion to make is that even when controlling for level of democracy, political inequality is substantially significant. Second, total political inequality is likely a stronger predictor of economic inequality than either of its components alone.

-- Table 5 about here –

The limitations of this paper suggest directions for future studies. First, the gini index of income inequality can be criticized on many fronts (Allison 1978). As a measure of inequality, it is suitable, but other economic outcomes that reflect economic inequalities should be explored. Second, there is no attempt at causality, though over-time data available in other large, cross-national datasets -- such as the *World*

7

Values Survey -- may be used. Complicating causation is lack of theory regarding how long, exactly, it would take for political participation of the disadvantaged to translate into reduction of economic inequality. Other political determinants related to political inequality complicate the relationship between political inequality and economic outcomes. For example, ideological orientation of the government as measured by composition of governing political parties is a separate, but related factor to political participation (Verba et al 1978). Future studies could measure this by percent social democratic seats in parliament[3].

This study advances our understanding of the conceptualization and measurement of political inequality, and in doing so, traces a new path through which we arrive at a theory of the political determinants of economic inequality. A cross-national perspective allows for developing a more general theory of how political inequality intersects with other inequalities. This study suggests that democratization is not a sufficient condition for generating equality; if economic inequality is to be reduced, societies must also contend with the deleterious influence of political inequality.

Notes

1. This study is a part of a research project in progress.

2. Dahl (1996) defines political resources as "almost anything "– including money, reputation, legal status, social capital and knowledge, to name a few -- that has value and can be used to achieve political ends. "Anything" is too vague a measure of political resources; there must be a core set of political resources that citizens use in the majority of political situations. One plausible measure of political resources is experience in political affairs, which is obtained through political participation.

3. Social democratic parties with statist economic ideologies, i.e. leftist parties, tend to seek equitable economic redistribution policies and politically mobilize the disadvantaged. The extent to which these parties are influential in government decisions could influence the extent of economic inequality.

References

Allison, Paul D. "Measures of Inequality." *American Sociological Review* 43: 865-880.

APSA Task Force on Inequality and American Democracy. 2004. *American Democracy in an Age of Rising Inequality*. www.apsanet.org/imgtest/taskforcereport.pdf. Retrieved July 4, 2007.

Bollen, Kenneth A. and Robert W. Jackman. 1985. "Political Democracy and the Size Distribution of Income." *American Sociological Review* 50(4): 438-457.

Dahl, Robert A. 1996. "Equality versus Inequality." *PS: Political Science and Politics* 29(4): 639-648.

Dubrow, Joshua Kjerulf. 2008. "Guest Editor's Introduction: Defining Political Inequality with a Cross-National Perspective." *International Journal of Sociology*, Special Issue: Causes and Consequences of Political Inequality in Cross-National Perspective 37 (4): 3 – 9.

Hughes, Marion R. 1997. "Sample Selection Bias in Analyses of the Political Democracy and Income Inequality Relationship." *Social Forces* 75(3): 1101-1117

Muller, Edward N. 1988. "Democracy, Economic Development, and Income Inequality." *American Sociological Review* 53(1): 50 – 68.

Simpson, Miles. 1990. "Political Rights and Income Inequality: A Cross-National Test." *American Sociological Review* 55(5): 682-693.

Verba, Stanley, N.H. Nie and J. Kim. 1978. *Participation and Political Equality: A Seven-Nation Comparison.* Cambridge: Cambridge University Press.

Table 1. Variables Description

Variable	Description	Data Source
Gini of Income Inequality (Economic Inequality)	Gini coefficient of income inequality within nation of the most recent year. The higher the score, the greater the inequality.	United Nations Development Programme U.N.D.P http://hdrstats.undp.org/indicators/147.html; when not available, Eurostat 2005 and in Iceland, the Central Statistics Bureau
Total Political Participation	Factor Analysis of Political Participation: Organizations, Political Participation: Personal Activism, and *Attendance at lawful demonstration past 12 months (mean = 0.06, stdev = 0.23).* See Table 3 for factor loadings.	European Social Survey, most recent round available per country
Political Participation: Organizations	Composite index of *Worked in political party (mean = 0.04, stdev = 0.20)* and *Worked in other organization or association (mean = 0.14, stdev = 0.35) past 12 months.*	European Social Survey, most recent round available per country
Political Participation: Personal Activism	Composite index of *Signed a petition (mean = 0.22, stdev = 0.41)* and *Wore campaign badge (mean = 0.08, stdev = 0.26) past 12 months.*	European Social Survey, most recent round available per country
Voter Turnout	Percent who responded 'yes' to the question, *Voted in last national election?*	European Social Survey, most recent round available per country
Political Non-Participation and Voter Non-Turnout of the Disadvantaged	Factor analysis score of Political Participation was dichotomized, 1 = did not participate, 0 = other. Political non-participation of the disadvantaged is the percentage of the disadvantaged that did not participate (mean = 73.69, stdev = 20.33); Voter non-turnout was derived by subtracting 100 from the Voter Turnout variable (mean = 31.98, stdev = 13.98).	European Social Survey, most recent round available per country
Political Inequality	Composite index of Political Non-Participation and Voter Non-Turnout of the Disadvantaged. The higher the score, the greater the political inequality.	Scores within country-level dataset
Political Rights and Civil Liberties	Range from 1(free) to 6 (not free). No country in my dataset had a score of 6.	Freedom House 2005 http://www.freedomhouse.org/template.cfm?page=15
Level of Democracy	Composite index of *Political rights (mean = 4.6, stdev = 0.99)* and *Civil Liberties (mean = 4.4, stdev = 1.03)* scores of 2005. The higher the score, the higher the level of democracy.	Freedom House 2005 http://www.freedomhouse.org/template.cfm?page=15

Table 2. Distribution of Scores by Country

Country	Gini	Political Non-Participation of the Disadvantaged	Voter Turnout of the Disadvantaged	Total Political Inequality	Political Rights	Civil Liberties	Level of Democracy
Austria	29.10	56.00	63.2	-.35243	1	1	.50673
Belgium	33.00	63.83	91.5	-1.45143	1	1	.50673
Bulgaria	29.20	90.30	68.7	.51508	1	2	.00623
Cyprus	29.00	88.89	88.9	-.50024	1	1	.50673
Czech Republic	25.40	80.39	54.6	.86452	1	2	.00623
Denmark	24.70	45.83	95.7	-2.24641	1	1	.50673
Estonia	35.80	91.60	45.9	1.65142	1	2	.00623
Finland	26.90	56.67	56.7	-.01871	1	1	.50673
France	32.70	60.49	57	.09313	1	1	.50673
Germany	28.30	61.76	61.4	-.07597	1	1	.50673
Greece	34.30	94.43	86.2	-.18811	1	2	.00623
Hungary	26.90	94.20	69.1	.62452	1	2	.00623
Iceland	26.00	16.67	84.2	-2.65686	1	1	.50673
Ireland	34.30	76.47	66.7	.15487	1	1	.50673
Latvia	36.00	97.20	38.8	2.17663	1	2	.00623
Luxembourg	26.00	69.23	53.8	.53476	1	1	.50673
Netherlands	30.90	74.60	57.1	.55369	1	1	.50673
Norway	25.80	47.62	66.7	-.79670	1	1	.50673
Poland	34.50	93.55	60.3	1.02507	1	2	.00623
Portugal	38.50	91.23	74.6	.26273	1	1	.50673
Romania	31.00	92.70	77.1	.19138	3	2	-1.02875
Russian Federation	39.90	87.20	64.9	.59508	5	5	-3.56524
Slovakia	25.80	75.29	67.7	.06793	1	2	.00623
Slovenia	28.40	91.82	72.2	.39748	1	1	.50673
Spain	34.70	80.21	70.1	.11509	1	1	.50673
Sweden	25.00	41.38	75.9	-1.44373	1	1	.50673
Switzerland	33.70	50.00	47.8	.18825	1	1	.50673
Turkey	43.60	92.36	72.6	.39596	3	4	-2.02976
Ukraine	28.10	88.30	88.5	-.50048	4	4	-2.54725
United Kingdom	36.00	60.61	62.7	-.17653	1	1	.50673

11

Table 3. Measurement of Total Political Participation and Distribution of Its Components

	Factor Loadings[a]
Political Organization	0.722
Political Activism	0.795
Attend Lawful Demonstration	0.687

a Eigenvalue = 1.62; explained variance = 54 %

Table 4. Correlation Matrix of Economic Inequality, Political Inequality and Its Components, and Level of Democracy

		Gini (Economic Inequality)	Political Non-Participation of the Disadvantaged	Voter Non-Turnout of the Disadvantaged	Total Political Inequality	Level of Democracy
Gini (Economic Inequality)		--				
Political Non-Participation of the Disadvantaged	Pearson Correlation	**0.467**	--			
	Sig. (2-tailed)	0.009				
	N	30				
Voter Non-Turnout of the Disadvantaged	Pearson Correlation	**0.190**	**0.112**	--		
	Sig. (2-tailed)	0.314	,555			
	N	30	30			
Total Political Inequality	Pearson Correlation	**0.440**	**0.746**	**0.746**	--	
	Sig. (2-tailed)	0.015	0.000	0.000		
	N	30	30	30		
Level of Democracy	Pearson Correlation	**-0.402**	**-0.407**	**0.121**	**-0.192**	--
	Sig. (2-tailed)	0.028	0.026	0.525	0.310	
	N	30	30	30	30	

Table 5. Ordinary Least Squares Regression of Economic Inequality on Its Political Determinants

	I	II	III
	b (std error)	b (std error)	b (std error)
Political Non-Participation of the Disadvantaged	0.088† (0.044)		
Voter Non-Turnout of the Disadvantaged		0.086 (0.060)	
Total Political Inequality			1.862* (0.811)
Level of Democracy	-1.254 (0.888)	-2.128* (0.846)	-1.626† (0.811)
Constant	24.614*** (3.315)	28.382*** (2.103)	31.117*** (0.782)
R^2	0.27	0.22	0.30
N	30	30	30

† $p<.10$ * $p<.05$ ** $p<.01$ ***$p<.001$

Fig. 1 Level of Democracy and Economic Inequality
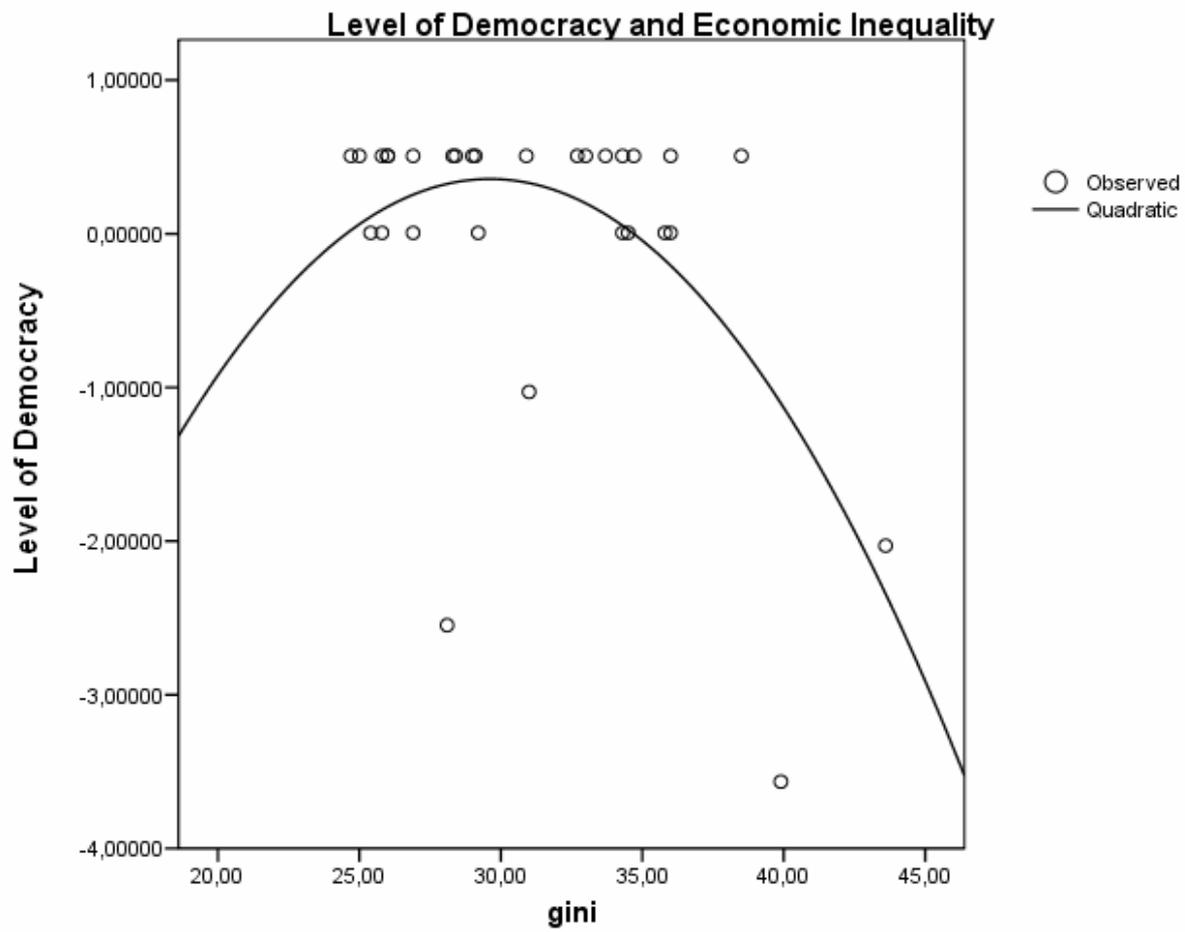

Level of Democracy and Economic Inequality

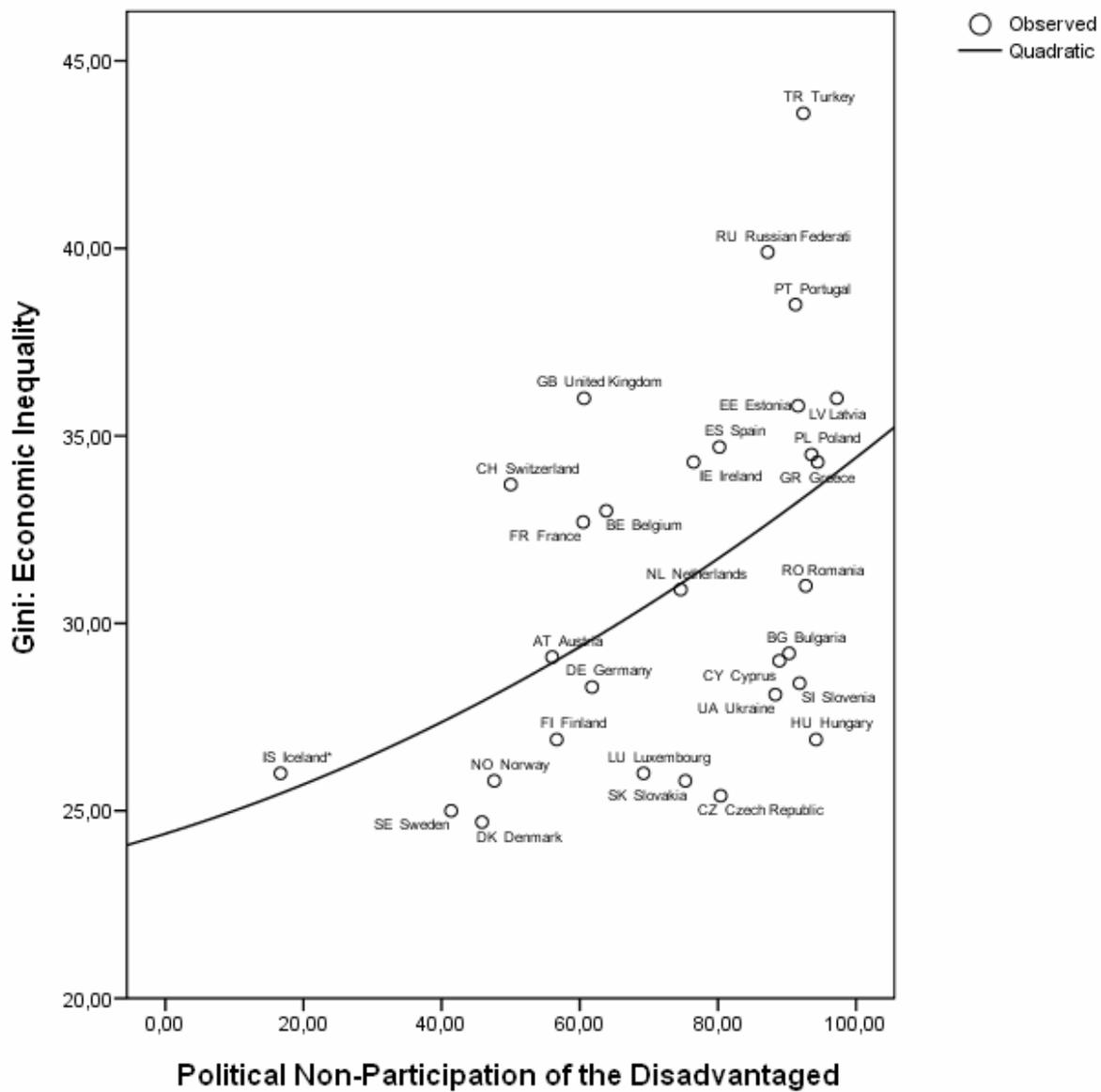**Fig. 2 Political Non-Participation of the Disadvantaged and Economic Inequality**

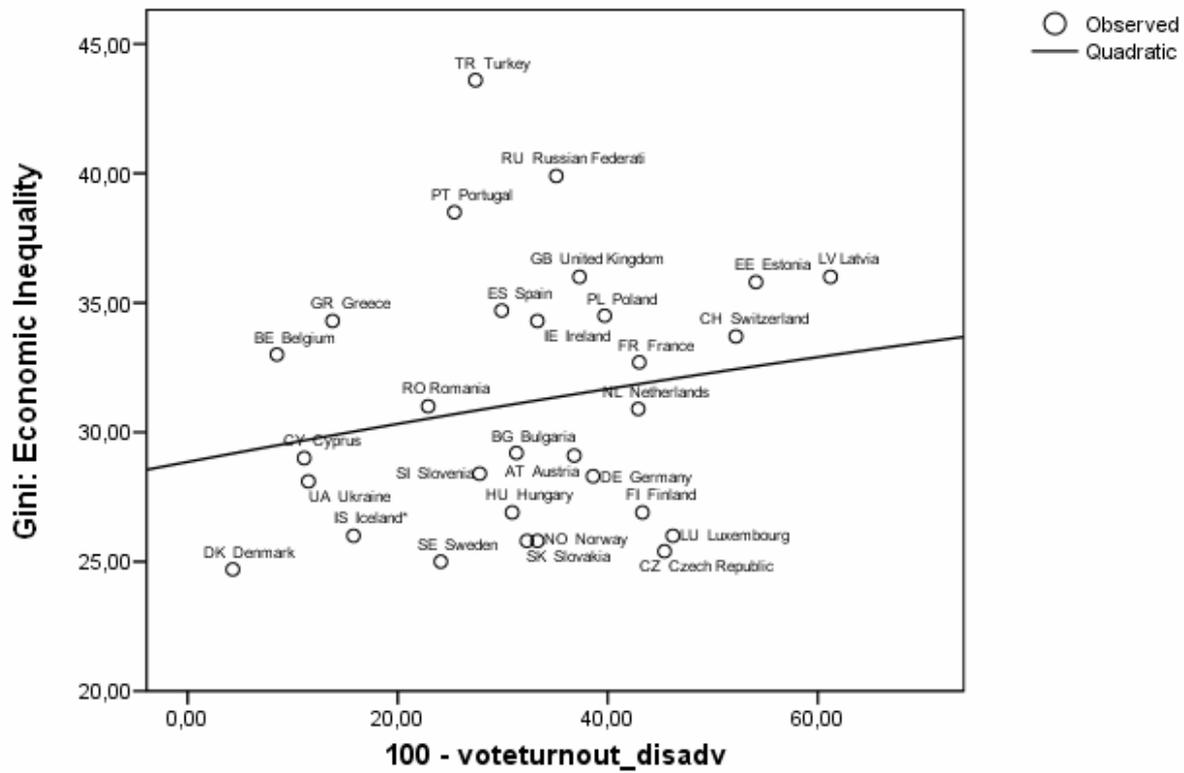**Fig. 3 Voter Non-Turnout of the Disadvantaged and Economic Inequality**

Fig. 4 Political Inequality and Economic Inequality