Circles of Solidarity: The National Contexts of Diversity and Redistribution in Developed Democracies

by

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To Dafna

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ABSTRACT

In recent years, as many Western democracies have been facing growing racial, ethnic, and religious diversification and tensions, the social policy implications of these cleavages have come to the fore. This dissertation explores how ascriptive diversity—heterogeneity in ethnicity, race, religion, or language—shapes income redistribution amongst and between different identity groups in developed democracies. The common consensus among social scientists asserts that diverse countries are less solidary and thus maintain smaller welfare states than homogeneous ones. However, the data reveal unexplained variation in the aggregate redistribution levels of similarly diverse democracies. Furthermore, additional research, which focuses on individual-level behavior, finds that intergroup relations depend on the contextual environment, particularly socioeconomic inequality and geographic segregation between different identity groups.

Addressing this gap, I propose a new theoretical framework that explains how complex social structures, particularly inequality and geography, shape income redistribution between ascriptive identity groups in democratic societies. I argue that greater ascriptive diversity suppresses redistribution only and insofar as it is reinforced by either higher intergroup inequality or higher regional segregation. Each of these factors, however, fractures national solidarity along different social categories and, subsequently, creates different redistributive preferences and outcomes. When identity groups are highly unequal socioeconomically, better-off identity groups can minimize intergroup redistribution through regressive and exclusionary welfare policies that underprioritize the needs of the poor. By contrast, when identity groups cluster in different parts of the country, their members can minimize intergroup redistribution by decentralizing national welfare programs to the regional level. Hence, these factors determine both the extent to which ascriptive diversity dampens redistribution and whether it would result in more regressive or more decentralized policies.

My empirical analysis corroborates these expectations using a multi-method approach. First, I analyze cross-sectional time-series data from 22 democracies over a period of 31 years and find broad empirical patterns that fit my expectations. All else equal, democracies with higher ascriptive diversity invest less in redistributive programs when their various identity groups are more unequal and/or more regionally segregated. The conditional effect of class and geography, moreover, correlates with different sets of outcomes as predicted by my theoretical framework. Intergroup inequality suppresses investment in programs that target lower-class needs and deems cross-class programs more exclusionary. Intergroup regional segregation, by contrast, implicates all types of national programs and correlates with higher redistributive decentralization. Second, I analyze three representative case studies in greater depth: The United States, Belgium, and Spain, each illustrates ascriptive diversity under a different configuration of class and geography. The three cases provide additional support for my hypotheses, place the different theoretical components on a single coherent continuum, and contextualize them in richer and noisier settings. Moreover, they add important insights about the underlying mechanisms that link preferences and policies and about the implications of long-term changes.

My dissertation, therefore, improves our understanding of the complex relationship between ascriptive diversity and social policy. In doing so, it also ties together separate disciplinary discussions on these issues and contributes new theoretical and empirical insights on the roots of existing policies and on future developments in growingly diverse democracies.

CHAPTER I

Introduction

When the Star-Belly Sneetches had frankfurter roasts

Or picnics or parties or marshmallow toasts,

They never invited the Plain-Belly Sneetches.

They left them out cold, in the dark of the beaches.

They kept them away. Never let them come near.

And that's how they treated them year after year.

– Dr. Seuss, *The Sneetches and Other Stories*

Many democracies have been facing growing immigration inflows and rising racial, ethnic, and religious tensions in recent years. Against this background, the various policy implications of higher ascriptive diversity—heterogeneity in racial, ethnic, religious, and linguistic identities— have gained renewed public and scholarly attention.[1] One of the key issues in this debate concerns the way that different ascriptive groups redistribute resources among and between themselves. As one non-academic doctor, Dr. Seuss, wonderfully portrayed many decades ago, ascriptive differences can buttress intergroup resentments and unwillingness to share one's income, or smoked sausages, with out-group members who look, pray, or talk differently. Such discord and unequal access to resources carry grave implications for the wellbeing, social cohesion, and the quality of

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[1]The term "ascriptive diversity" borrows from Rae and Taylor (1970, 1), who use it to define a class of "ascriptive or 'trait' cleavages such as race or caste" that "determines the 'heterogeneity' or 'homogeneity' of a community."

democracy in developed societies. Therefore, a better understanding of the redistributive implications of ascriptive diversity is important both as we look back at the roots of existing policies and as we anticipate future developments in growingly diverse democracies.

In this dissertation, I focus primarily on the relationship between ascriptive identity cleavages and interpersonal redistribution through the welfare state, one of the primary channels through which income is redistributed in modern democracies. Welfare policies determine how tax revenues, levied from the income and assets of some citizens, are transferred to other citizens in the form of social services or cash benefits. Redistributive policies can vary by their goals, types of benefits, and the criteria by which they are awarded: some pool payroll contributions to provide insurance against common risks such as aging or disability, others provide universal services for all citizens, and still others provide means-tested assistance for the weakest strata of society. These policies, accordingly, can vary significantly in their overall structure and in the purposes and interests that they serve.

These redistributive priorities are neither impartial nor exogenous. As part of the democratic game, they are set by elites and voters representing the preferences and solidarities of different social groups. In these social structures, ascriptive identities form particularly potent group markers given their inherent and relatively rigid nature (Lipset and Rokkan, 1967; Rae and Taylor, 1970), their central role in in-group coordination (Bates, 1983; Fearon and Laitin, 1996), and their cultivation by political actors (Chandra, 2004; Posner, 2004). Indeed, different studies have shown that ascriptive identity cleavages influence economic development and democratization (Easterly and Levine, 1997; Montalvo and Reynal-Querol, 2005), intergroup conflict (Fearon and Laitin, 2003; Wilkinson, 2008), public goods provision (Alesina, Baqir and Easterly, 1999; Habyarimana et al., 2007), party system structures (Ordeshook and Shvetsova, 1994; Clark and Golder, 2006), and voter behavior (Chandra, 2004; Huber, 2012). This dissertation examines the nexus between ascriptive diversity and redistributive policies: how do members of different ascriptive identity groups redistribute income among and between themselves in developed democracies?

1.1 Three Incomplete Answers

1.1.1 The Macro-Comparative Angle: An Empirical Puzzle

The current research on ascriptive diversity and redistribution offers several separate, and incomplete, answers to this question. The first body of work focuses on macro-level cross-country differences in redistributive policies. For a long while, researchers of contemporary welfare states paid little attention to the influence of ascriptive identities, focusing instead on class as the primary, and often only, relevant social cleavage. Thus, redistributive outcomes are often explained by country differences in the income distribution of otherwise-identical voters (Meltzer and Richard, 1981; Moene and Wallerstein, 2001), the political power of the left (Stephens, 1979; Korpi, 1983; Esping-Andersen, 1990; Korpi and Palme, 2003), and the institutional constraints within which class-based actors operate (Hicks and Swank, 1992; Huber and Stephens, 2001; Iversen and Soskice, 2006).[2]

In recent years, however, more attention has been given to the redistributive implications of ascriptive diversity. Using macro-comparative data, this more recent literature finds a negative correlation between ethnic and linguistic diversity and public investment in welfare programs (Alesina and Glaeser, 2004; Sanderson, 2004; Desmet, Ortuño-Ortín and Weber, 2009). Higher ascriptive heterogeneity, the logic goes, fractures national and class solidarity and suppresses redistribution levels compared to more homogeneous societies.

The empirical support for this argument has drawn predominantly from the United States, where the salient racial divide is linked repeatedly with reduced public services and social programs at all levels of government (Quadagno, 1994; Lieberman, 1998; Alesina, Baqir and Easterly, 1999; Brown, 1999). Alesina and Glaeser (2004) offer the most comprehensive comparative adaptation of this claim, maintaining that higher racial and ethno-linguistic diversity explains much

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[2]There is a small handful of references to ascriptive identity cleavages in this literature, yet mostly as a factor operating in the background. Stephens (1979), for instance, notes that ethnic and linguistic heterogeneity undermine the cohesion of labor organizations that promote welfare state expansion. Using a similar logic, Romer, Lee and Van der Straeten (2007) argue that anti-immigration sentiments strengthen right-wing parties and thus indirectly undermine redistributive policies. Some attention was also given to the effect of religion on welfare states, primarily through Christian-Democratic parties (Huber, Ragin and Stephens, 1993; Van Kersbergen and Manow, 2009) and religious networks (Scheve and Stasavage, 2006; Huber and Stanig, 2011). However, this discussion analyzes religion as a set of values and not as a contentious social cleavage.

of the historic gap between the American and European welfare states (for similar findings, see Sanderson, 2004; Desmet, Ortuño-Ortín and Weber, 2009). They further argue that ascriptive cleavages precede and explain the emergence of class politics and electoral institutions, two primary factors underlying redistributive policymaking. The notion that ascriptive diversity weakens redistribution has since become a common premise among comparative political scientists, sociologists, and economists.

Although widely accepted, however, this straightforward theoretical prediction has mixed empirical support, particularly in developed democracies (for a comprehensive critique, see Pontusson, 2006). Several studies, for example, argue that the negative correlation between ethnic diversity and redistribution loses its statistical power when the sample is limited to Western countries and with a more careful consideration of other economic, political, and demographic differences (Taylor-Gooby, 2005; Mau and Burkhardt, 2009). Others show that relative changes in the share of foreigners matter more than their overall share of the population (Soroka et al., 2016).

Recent descriptive data confirm this empirical tension. Figure 1.1 plots three different measures of redistribution levels against an index of ascriptive identity fractionalization in 19–22 OECD democracies.[3] Panel A displays public social spending in 2011 as a share of gross domestic product (GDP), Panel B presents the relative reduction in income inequality before and after tax and transfers in 2011, and Panel C showcases the combined generosity of key social security programs in 2010 (Scruggs, Jahn and Kuitto, 2014). The fitted lines show the negative linear correlations between ascriptive diversity and each of the three aspects of redistribution.

On average, as the dominant macro-comparative argument expects, homogeneous countries spend more than heterogeneous ones on social programs, reduce a greater share of inequality, and offer more generous social security entitlements. However, the plots also reveal a heteroskedastic pattern: whereas homogeneous countries tend to cluster together more closely, heterogeneous ones vary more broadly by all three redistributive measures. This tendency is illustrated with the matching box-and-whisker diagrams, which split the samples in half and plot the variation within

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[3]The operationalization of this index, which integrates multiple data sources and identity dimensions, is discussed in more detail in Chapter 3.

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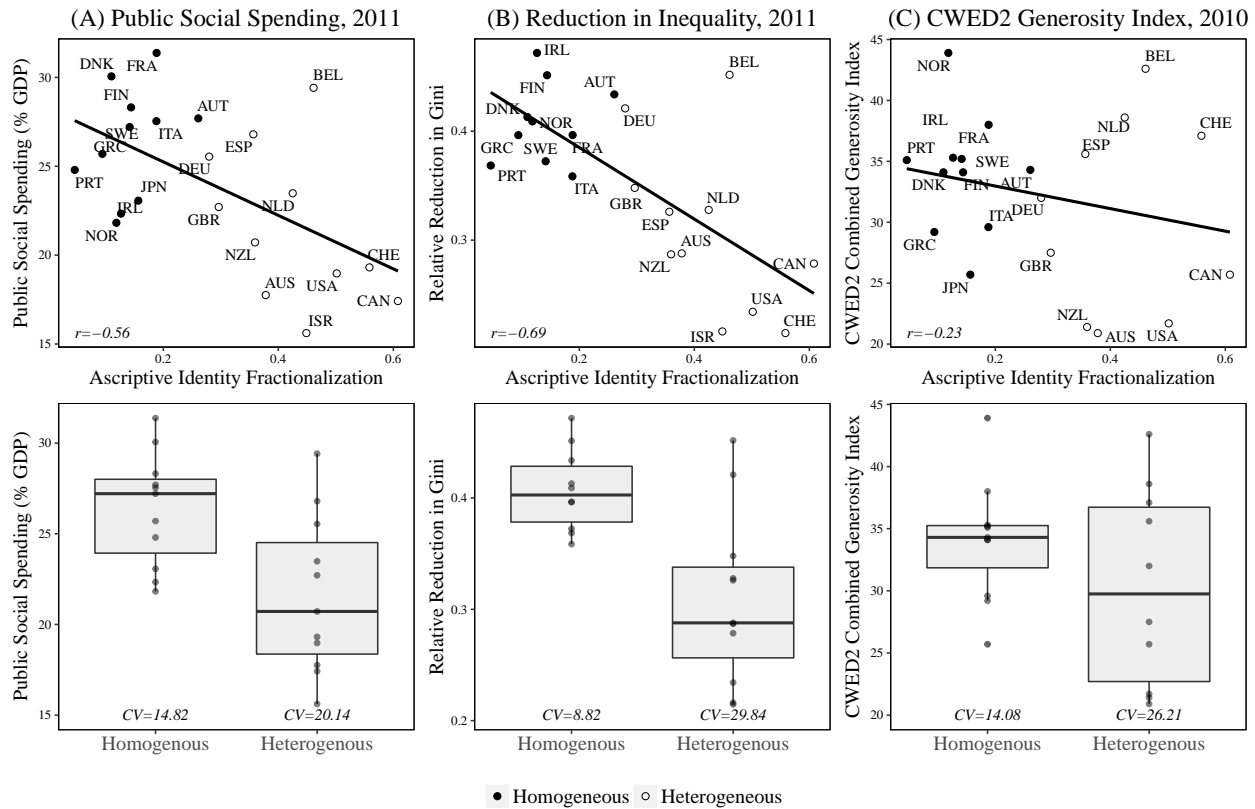
Figure 1.1: *Ascriptive Diversity and Three Measures of Redistribution*

each subgroup, as well as each subgroup's coefficient of variation (CV). Thus, the accepted notion that ascriptive diversity suppresses redistribution seems correct but insufficient. Why does higher heterogeneity in ascriptive identities dampens redistributive outcomes in some cases but not so much in others?

1.1.2 The Micro-Behavioral Angle: Local Contexts and Preferences

Several clues about this puzzle can be found in a separate literature that explores the micro-behavioral foundations of ascriptive diversity. Focusing on individual attitudes, this body of research finds that ascriptive diversity in itself is not a sufficient cause for intergroup tensions. Rather, the national and local contexts within which identity groups interact can moderate or exacerbate their prejudice and solidarity.

Two prominent factors stand out in this literature. The first is inequality. Theories of group conflict postulate that intergroup relations worsen when out-group members threaten the relative social

and economic status of one's own group (Key, Jr., 1949; Blumer, 1958; Glaser, 1994). Group threat can stem from cultural differences or historic legacies (Forbes, 2004; Bowyer, 2009), but also, more commonly, from socioeconomic inequality. According to this work, economic differences between different identity groups increase intergroup competition over limited resources, induce out-group stereotypes among richer groups, and intensify feelings of alienation among poorer ones (Bobo and Hutchings, 1996; Oliver and Mendelberg, 2000; Ihlanfeldt and Scafidi, 2002; Gay, 2006; Baldwin and Huber, 2010). Intergroup inequality, in turn, raises the chances of ethnic voting and civil wars (Cederman, Weidmann and Gleditsch, 2011; Gubler and Selway, 2012; Huber and Suryanarayan, 2016) and weaken democratic stability, economic development, and public goods provision (Baldwin and Huber, 2010; Houle, 2015; Alesina, Michalopoulos and Papaioannou, 2016), particularly in developing regions.

Intergroup inequality also implicates redistributive preferences. Multiple political-economic models posit that higher intergroup inequality should lower individual willingness to transfer resources to out-group members due to wider social distance, increased threat, and differing economic needs (Corneo and Grüner, 2002; Lind, 2007; Shayo, 2009; Lupu and Pontusson, 2011; Alt and Iversen, 2017). Indeed, there is ample empirical evidence that real or perceived socioeconomic differences between ascriptive identity groups weaken popular support for redistribution, particularly among members of richer groups (Gilens, 1995; Branton and Jones, 2005; Finseraas, 2012; Burgoon, 2014; Morgan and Kelly, 2016; Alt and Iversen, 2017). The bulk of these findings, however, examine general support for redistribution as the primary outcome of interest. Analyses of actual policies are scarcer and focus more narrowly on immigrant access to welfare benefits (Razin, Sadka and Swagel, 2002; Sainsbury, 2012; Koning and Banting, 2013).

The second factor influencing intergroup relations is geographical. The influential Contact Hypothesis postulates that intergroup prejudice worsens when different identity groups are segregated and do not come in regular contact. According to these studies, the lack of regular interactions with out-group members solidifies distorted perceptions of the latter and increases in-group bias. Conversely, intergroup hostility can be diffused when different identity groups intermingle, particularly

if they share equal social status and common goals and are supported by institutions and norms of cooperation (Allport, 1954; Pettigrew, 1998; Brewer and Gaertner, 2003; Pettigrew and Tropp, 2006, but see Paluck, Green and Green, 2018).

This research tends to focus on intergroup prejudice as the key outcome, but more recent studies have shifted their gaze to the broader policy implications of intergroup contact. Several comparative studies find that geographical segregation undermines cooperation and trust between ascriptive identity groups (Stolle, Soroka and Johnston, 2008; Semyonov and Glikman, 2009; Uslaner, 2012; Kasara, 2013; Enos, 2018), increases support for discriminatory policies (Kinder and Mendelberg, 1995), and weakens democratic norms and government performance (Alesina and Zhuravskaya, 2011). The implications for redistributive outcomes have not been examined directly, although newer works hint at a negative relationship. First, at the individual level, lack of contact is shown to lower one's willingness to share profit with out-group members (Enos and Gidron, 2016). Second, at the policy level, relatively homogeneous districts that experience high rates of immigration tend to show lower public support for redistributive policies (Eger, 2010; Dahlberg, Edmark and Lundqvist, 2012; Schmidt-Catran and Spies, 2016) and decreased levels of local redistribution in practice (Dahlberg and Edmark, 2008; Jofre-Monseny, Sorribas-Navarro and Vázquez-Grenno, 2016). These findings too, however, are limited to individual preferences or to local policies.

1.1.3 The Regional Angle: Interregional Inequality and Redistribution

Additional insights into the redistributive implications of inequality and geography can be found in yet another set of studies that focus on interregional differences and institutional design. Specifically, a subset of this literature argues that economic inequality between different geographical regions undermines interregional solidarity and leads to more decentralized redistribution, whereby regional and subnational actors gain more autonomous authority over welfare policy at the expense of the central government (Wibbels, 2005; Beramendi, 2012). Geographically decentralized systems, in turn, tend to produce lower income redistribution due to their high number of institutional veto points and potential races to the bottom (Peterson and Rom, 1990;

Huber and Stephens, 2001; Rogers, 2016, but see Volden, 2002). These theories, however, consider interregional conflict outside the context of ascriptive identity politics. As such, they focus primarily on economic interests rather than social distance, solidarity, and intergroup tensions.

In summary, past research offers several incomplete answers on the relationship between ascriptive diversity and redistribution. Unfortunately, these discussions seldom speak to one another. Yet, once integrated, they provide several useful insights. Ascriptive diversity, we know, tends to have a negative effect on redistributive outcomes, although this average trend includes unexplained variation . We also know that intergroup relations, solidarity, and willingness to share resources weaken in certain socioeconomic and geographical contexts. My main argument pulls these strands together and proposes a fuller theoretical and empirical framework to consider the relationship between ascriptive diversity and redistribution.

1.2   The Argument in Brief

How, then, do ascriptive identity cleavages influence redistributive policy in developed democracies? I argue that higher ascriptive diversity does tend to suppress income redistribution, but this influence and its precise policy implications are conditional on intergroup inequality and regional segregation. When identity groups are part of different socioeconomic classes or clustered in separate parts of the country, national solidarity fragments more readily to narrower circles of solidarity formed around ethnic, racial, linguistic, or religious identities. Specifically, intergroup inequality and regional segregation reinforce in-group bias and differentiate identity groups along additional social categories. Ascriptive diversity, accordingly, requires either of these contexts to dampen national solidarity and, with it, redistribution levels.

Class and geography, however, shape redistributive preferences and outcomes differently. Intergroup inequality differentiates identity groups along class lines. Consequently, they deepen class conflict between rich and poor identity groups and split redistributive preferences accordingly. As a result, better-off and politically stronger identity groups would attempt to minimize intergroup redistribution by prioritizing the needs of the middle and upper classes, underinvesting in poli-

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cies that target poorer identity groups, and restricting the latter's access to broader benefits. The outcome, therefore, would be a more regressive and exclusionary welfare state.

Intergroup regional segregation, by contrast, structures in-group solidarities along regional lines. In this case, regionally segregated groups would prefer to limit redistribution to in-group members by using geography, not class, as a differentiating category. As a result, they would promote policies the devolve redistributive programs to regional units at the expense of a robust national system. The outcome, therefore, would be a smaller and more decentralized welfare state.

Inequality and geography can also operate side by side. When different identity groups are concentrated in unequal regions, richer identity groups would prefer more regressive and more decentralized interregional redistribution. Poorer identity groups, meanwhile, would face conflicting pressures given their exclusive regional identities on the one hand and their reliance on income from other regions on the other. The result, therefore, would involve both more regressive and more decentralized redistribution levels compared to other cases.

In summary, I argue that ascriptive identities constrain income redistribution as part of larger social structures that include other dimensions and cleavages. These contexts not only facilitate the influence of ascriptive diversity on redistributive policymaking, but they also shape the boundaries of social solidarity and set redistributive policies that reflect these boundaries. I present my theoretical framework in greater detail in Chapter 2, including in-depth discussions of my key premises and scope conditions, expected outcomes, possible mechanisms, and testable hypotheses.

1.3   Methodological Approach

Chapter 3 to 6 test my argument empirically using a multi-method approach with both a large-*n* analysis and three in-depth case studies. There are several perspectives on the proper use of mixed methodologies. One approach assumes that all research methods answer the same questions using the same inferential logic (e.g., King, Keohane and Verba, 1994). According to this view, multiple methods should test the same hypotheses concurrently to validate, or "triangulate", the empirical conclusions. A different approach asserts instead that each method is suitable to answer

specific types of research questions (e.g, Goertz and Mahoney, 2012). From this perspective, we should pair each hypothesis with its most suitable method. I follow a third and more integrative approach, which argues that various data and tools should be combined complementarily based on their relative strengths and weaknesses (e.g., Seawright, 2016). Therefore, rather than retesting each hypothesis with multiple methods or using a single method per hypothesis, I integrate multiple data and methods where they are most helpful.

My mixed empirical strategy seeks to combine breadth and depth. I use a series of large-n analyses to identify broad empirical patterns in a pooled sample of 22 democracies between 1980 and 2011. The large-n analysis has several key advantages for my purposes. First, it is relatively broad. The sample contains almost all contemporary developed democracies with available annual data. The time period, meanwhile, covers the scope of a generation, an interval that is long enough to show meaningful trends but also minimizes the conflating influence of long-term changes in the structures of society, the economy, and policymaking. Second, the large sample of cases and years creates a more nuanced spectrum of values for both the explanatory and outcome variables. Hence, I can test my hypotheses against a larger space of hypothetical counterfactuals, including higher ascriptive homogeneity, higher ascriptive diversity with lower values of intergroup inequality and/or regional segregation, and higher ascriptive diversity with higher values of either or both. Third, the large-n analysis isolates these relationships more rigorously using econometric tools. In particular, I exploit the longitudinal nature of the data to hold constant a comprehensive set of short- and long-term dynamics that operate alongside the structural factors in which I am interested. I also run several tests that validate my findings' statistical robustness. All of these analyses are presented in Chapter 3, including a detailed explanation of my operationalization choices, my econometric specification, and my primary findings.

At the same time, the large-n analysis is not ideal for portraying the full causal chain, contextualizing it, and examining the mechanisms that underly the different correlations. Therefore, I complement it with three in-depth case studies, presented in Chapters 4 to 6, that combine qualitative and quantitative data. The case-study analysis has several methodological strengths. First,

it provides depth. Each case study analyzes case-specific historical, public opinion, and public policy data that are better attuned to its unique cleavages, institutional environment, and political conflicts. Second, the case studies connect the different theoretical components as part of a single coherent chain. I analyze all three cases using a structured and focused comparison of the same core questions (George and Bennett, 2005): (1) the socioeconomic and geographic contexts of the primary ascriptive cleavage, (2) the implications that these structures have on intergroup relations and solidarities, (3) the interconnections of both with redistributive preferences, and (4) how these factors influence actual welfare policies. Moreover, while proving true causality is an elusive task, I verify that each case jumps through all the necessary hoops, i.e., that all the theoretical links in the chain perform as expected (Bennett, 2010). Finally, the case studies corroborate my key theoretical and operational assumptions and contextualize my findings with richer, and noisier, examples (Seawright, 2016).

Given these goals, I select three cases that approximate the three ideal types of cleavage structures detailed in my theory: Chapter 4 explores racial diversity with high intergroup inequality in the United States; Chapter 5 studies Belgium's ethno-linguistic diversity with high regional segregation; and Chapter 6 examines Spain's ethno-linguistic diversity with both high regional segregation and notable economic differences. The cases themselves were selected based on a close examination of case-specific economic and geographic data, which I present in depth in each chapter's introduction. None, of course, perfectly represent their ideal type. Nevertheless, this real-world noise lends an opportunity to discuss complex relationships with other factors and compare real-world examples with the average estimates gleaned from the large-n analysis.

The closing discussion in Chapter 7 summarizes my primary empirical findings and theoretical conclusions, underscores the dissertation's contributions to our current understanding of identity politics and redistribution, and highlights several avenues for future research.

Circles of Solidarity: A Theoretical Framework

2.1   Introduction

How should we think theoretically about the influence that national contexts, and specifically class and geography, exert on the relationship between ascriptive diversity and redistribution? In this chapter, I propose a theoretical framework that ties these different factors together and produces several testable hypotheses. I begin the chapter with a basic theoretical setup that focuses on collective solidarities under different socioeconomic and geographical contexts. I then discuss the various redistributive implications that I expect to find in each case, particularly under high intergroup inequality, high regional segregation, and both together. After discussing some of the mechanisms that may be at play, I conclude with several testable hypotheses that guide the next few chapters.

My theoretical framework is bounded by two principal scope conditions. First, although the theory is presented in general terms, I am primarily concerned with the contemporary political environment found in fully consolidated democracies. As such, I assume a stable rule of law, full and equal political rights, and democratic representation. While many of the intuitions that I present may be relevant for less consolidated or non-democracies, underdeveloped economic contexts, or earlier periods in history, they are likely to unfold differently under such conditions. These different political environments raise a new set of questions that would justify a separate theoretical and empirical investigation.

Second, I am only concerned with implications on welfare policies that promote direct inter-personal redistribution. Accordingly, I do not consider broader public policies such as education, infrastructure, and other forms of public goods provision. Public goods, by definition, are less targeted than interpersonal redistribution (Hicken, 2011) and as such include coarser dynamics of inclusion and exclusion. For the same reason, their popular perception as intergroup transfers may be weaker. In this case, too, my theoretical logic may partially apply but would require additional adjustments and development.

2.2 Basic Setup

To begin, let us consider a simplified social space that consists of two dimensions, one so-cioeconomic (income) and one geographical (regions). Members of society have two attributes in this space: (1) their income and (2) their region of residence. Based on these traits, we can plot all individuals on a two-dimensional space, as demonstrated in Figure 2.1. Each dot in the graph locates a person by her income and region.[1] For instance, an individual located on the bottom-left corner has low income and resides in Region 1, whereas another person located in the top-right corner has a high income and resides in Region 2. Accordingly, the vertical dimension reflects the income distribution and the horizontal dimension captures the spatial distribution of this society.

Now, let us add two elements of ascriptive identity. First, let each member of society be as-signed to one of two separate ascriptive identity groups. This proposition relies on two construc-tivist premises about the nature of ascriptive identities. The first premise assumes that all types of ascriptive identities—race, ethnicity, religion, and language—share several core attributes. Despite their differences, all types invoke an alleged common genetic, historic, or spiritual descent, have relatively rigid and visible criteria, and foster effective social coordination (Hale, 2004; Chandra, 2006; Laitin, 2007; Haller and Eder, 2015). As such, they all form strong bases for ascriptive mobilization, contingent on case-specific historical forces (Wimmer, 2008). The second premise

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[1]The income values are drawn randomly from a beta distribution, reflecting the common left-skewed distribution of wages. The geographical values are drawn randomly from a uniform distribution.

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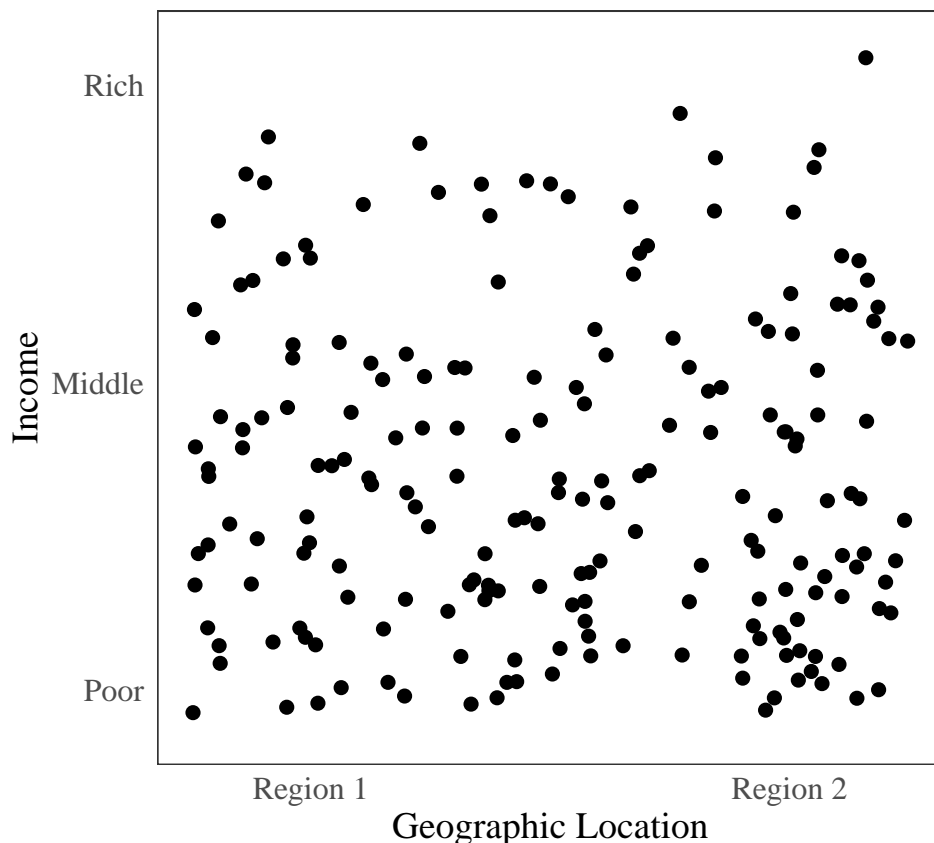
Figure 2.1: *Two-Dimensional Social Space by Income and Geography*

assumes that ascriptive identities are already formed. An influential body of work shows that ascriptive identities can develop and change as a result of economic development, relative group size, electoral institutions, and violent conflicts (e.g., Laitin, 1986; Chandra, 2004; Posner, 2005; Sambanis and Shayo, 2013). I adopt a milder position on this issue. On the one hand, I assume that within every country the primary social cleavages have largely been established, a common claim with regard to contemporary developed democracies (Lipset and Rokkan, 1967).[2] On the other hand, when comparing different societies contemporaneously, the relative political importance of these identities can differ based on their cleavage reinforcement with class and geography, as I argue below. Therefore, my discussion does not focus on long-term processes of identity formation within countries but on their comparative variation under different and relatively formed national

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[2]As Varshney (2009, 288) notes, "Constructivism is not about the radical *short-run* fluidity of identities. It is about the long-run formation, and the consequent *stickiness*, of identities." In the West, this long-run formation is typically linked with modernization, industrialization, and state building processes that for the most part completed centuries ago.

contexts.

The second element of ascriptive identity that I add is in-group solidarity. In line with the micro-behavioral literature, let each person have a positive sense of camaraderie with her in-group members (Tajfel et al., 1971). In formal terms, this solidarity can be seen as an other-regarding utility function, where one's own wellbeing improves with the wellbeing of other in-group members (Akerlof and Kranton, 2000; Alesina and La Ferrara, 2000). While I do not consider out-group resentment directly, it can be considered the inverse of in-group solidarity, i.e., as an other-regarding utility function that assigns negative weight to the wellbeing of out-group members. In either case, the result is a more exclusive sense of "us" that does not include "them". Importantly, this concept of solidarity implies a higher willingness to redistribute part of one's income to in-group members compared to the out-group (Costa-Font and Cowell, 2014; Holm, 2016).

The exclusiveness of in-group solidarities varies based on each group's socioeconomic and geographical distribution. To see why, Figure 2.2 considers several types of cleavage structures. In each panel, the ellipses represent each group's in-group solidarity.[3] These circles of solidarity show the range of people with whom group members feel stronger affinity on the basis of shared ascriptive identities, and, accordingly, to whom they would more willingly redistribute part of their income. Each circle, notably, varies in its overlap with the two other social categories, income and geography, depending on the cleavage structure. In some cases, in-group solidarity includes all income brackets and regions, while in others it covers just parts of each dimension. Income and geography, therefore, can become useful social categories that either cross-cut or reinforce ascriptive group identities, to use the classic terminology of Lipset and Rokkan (1967).

As a baseline example, Panel A in Figure 2.2 simulates a perfectly homogeneous society with a single ascriptive identity group. In this case, all else equal, we can expect relatively strong national solidarity that includes most members regardless of their income and region. Panel B, by contrast, shows a divided society with two identity groups and two solidarity circles. In this particular case, however, the cleavage structure is cross-cutting: members of both groups distribute equally

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[3]The ellipses are calculated as the two-dimensional 85% confidence region of each group.

across all incomes and regions. Accordingly, similar shares in both groups experience the same living conditions, face comparable economic risks, and encounter out-group members on a regular basis. Moreover, even if there is some positive in-group solidarity, neither income nor geography provides a distinguishing social category. The result is overlapping solidarity circles that, similar to a homogeneous society, include all classes and regions.
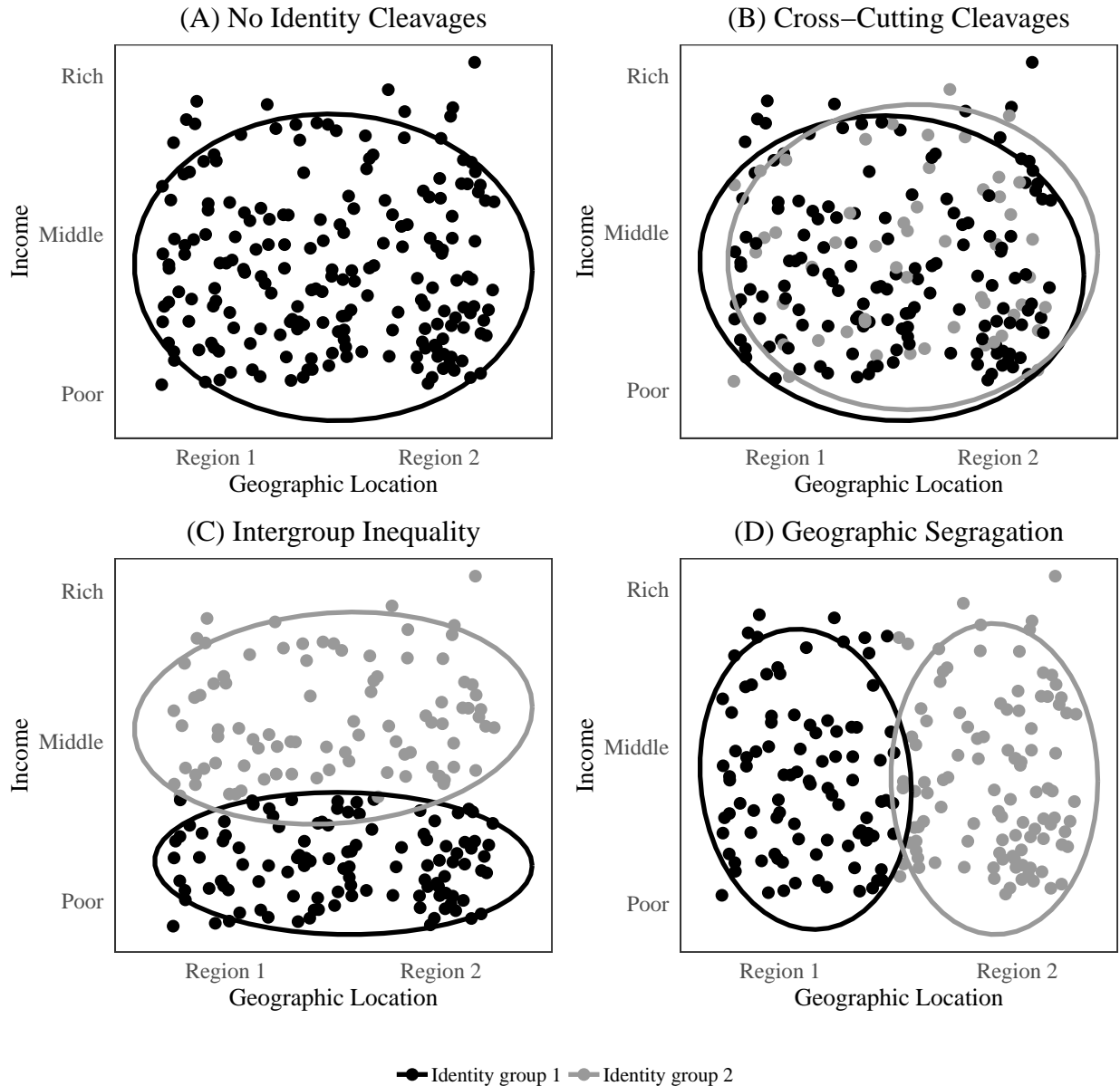
Figure 2.2: Circles of Solidarity under Different Cleavage Structures

This is not the case in the bottom two panels, where ascriptive divisions are reinforced by

class or geography and thus create more exclusive solidarities. Panel C illustrates a case with high intergroup inequality, whereby one identity group is strictly richer than the other. Under these conditions, one group's solidarity is limited to middle and higher income citizens while the other's solidarity is confined to poorer ones. Panel D, meanwhile, illustrates a case with high regional separation, whereby each identity group is concentrated in a different part of the country. In this scenario, each group's solidarity is limited to residents of a certain region. In these two cases, then, class and geography become distinguishing social categories that reinforce ascriptive identity divisions.

While I emphasize the boundaries of solidarity, its salience should be higher as well in the bottom two panels. Social and political psychologists have found that group identities grow more cohesive and significant when several cleavages reinforce rather than cut across one another (Deschamps and Doise, 1978; Brown and Turner, 1979; Vanbeselaere, 1991; Brewer, 2000; Gay, 2004). According to these studies, members of ascriptive identity groups develop stronger in-group solidarity when their sense of common descent is buttressed by other shared traits, among them similar socioeconomic conditions or geographical environment. The same factors also increase antagonism toward out-group members, who seem more foreign and unrelatable. Thus, the in-group solidarities shown in panels C and D are not only more exclusive but should also be stronger than in Panels A and B.

The basic theoretical setup, then, reinforces the expectations laid out in the micro-behavioral literature: higher intergroup inequality or geographic separation should create more exclusive and salient in-group solidarities. In these cases, accordingly, we should also expect a lower willingness to redistribute income to out-group members. Yet, what are the specific redistributive implications of these preferences?

2.3   From Preferences to Redistributive Outcomes

Even as intergroup inequality and regional segregation decrease the motivation for intergroup redistribution, the transition from general preferences to policy outcomes is not straightforward. In

this shift, I analyze ascriptive identity groups as unitary political actors. Accordingly, for simplicity and focus, I blackbox each group's inner politics, including internal factions and elite-grassroots dynamics, and assume that they eventually act on their aggregate interests. Moreover, I also assume reelection-seeking politicians that always represent the preferences of the identity groups within their electoral coalitions. My theoretical discussion, therefore, refers directly to ascriptive identity groups when hypothesizing about policymaking decisions.

Contrary to what some theoretical and empirical models imply, redistributive policymaking is not a dichotomous choice between more or fewer government benefits for everyone. Indeed, by this simplistic logic, in-group solidarity and out-group resentment would induce all groups to sacrifice their own interests in order to undermine those of others. In reality, however, welfare policies inherently prioritize certain needs, groups, and communities over others. In particular, welfare programs often use various social categories—wage, specific needs, past payroll contributions, citizenship, and so on—as criteria for government benefit provision. This point is especially important in consolidated democracies with ascriptive divisions. Contemporary democracies are formally committed to the rule of law and to equal political rights, rendering income redistribution by explicit ethnic, racial, or religious categories illegitimate. However, when these identities align with other social attributes, such as income and geography, the latter can be used as proxies for the former. Intergroup differences in income and geography, however, have different redistributive policy implications. Let us consider each in turn.

2.3.1   High Intergroup Inequality: Regressive Redistribution

First, what are redistributive implications of ascriptive diversity with high intergroup inequality, as shown earlier in Panel C in Figure 2.2? In this case, most members of one identity group are strictly richer than most members of the other group. Hence, the former would prioritize welfare policies that address the needs of middle and higher classes and would underprioritize programs targeting the poor, most of whom are out-group members.

On this point, it is useful to consider two of the welfare state's primary roles. First, by re-

distributing income from rich to poor, welfare policies reduce the inequalities created by market forces. This capacity, by its nature, benefits lower classes more than richer ones. Second, welfare policies provide social insurance against diverse socioeconomic risks. Different risks, however, vary in the level of threat that they present to different socioeconomic classes. Some risks, like age-related complications or chronic disability, loom over everyone: both rich and poor grow old and may suffer from enduring health problems or accidents. Moreover, both aging and chronic disability hurt one's employment capacity and thus undermine the occupational advantage held by high-level workers. By contrast, other risks, like sustained unemployment, material deprivation, or sudden short-term healthcare costs, threaten lower classes more severely than others. The middle and higher classes can deal with these problems more easily given their stabler professions, better access to private insurance, and higher disposable income and savings. The latter risks, therefore, induce greater interclass redistribution than the former.

Hence, when some ascriptive identity groups are richer than others, their increased in-group bias should undermine only programs focused on income redistribution and ones targeting lower-class needs. Programs that cover cross-class risks, by contrast, should remain protected given the in-group interests of middle-class and rich identity groups.

In addition to underinvestment in certain programs, richer identity groups can also limit the access that poorer groups have to shared welfare programs. In particular, lower classes can be excluded based on their status in the labor market, where many developed economies experience growing segmentation between different tiers of workers. As research on this topic shows, there is an increasing divergence between so-called "insiders," workers with relatively secure jobs and strong political capital, and "outsiders," low-skilled, temporary, and vulnerable workers that often have high shares of minorities and immigrants (Rueda, 2005; Emmenegger et al., 2012; Iversen and Soskice, 2015). Richer groups, therefore, should also enact harsher access criteria to welfare policies from which they themselves benefit.

These outcomes are driven primarily by the preferences of richer identity groups. Accordingly, I implicitly assume that the latter have stronger political leverage than poorer identity groups. A

counterargument may suggest that if a rich identity group is sufficiently small, the poorer majority could establish a coalition between the lower and middle classes and force broad income redistribution (Persson and Tabellini, 2002; Iversen and Soskice, 2006; Lupu and Pontusson, 2011). I find this possibility unlikely for two reasons. First, because of the income distribution's left-skewed nature, any group that is strictly richer than both the lower and middle classes must be very small in size. This case, then, would be better described as a relatively homogeneous society rather than a highly diverse one.[4] As society becomes more diverse and the rich group grows in size, its members will inevitably fill the ranks of the middle class and fracture a possible alliance with the poor (Yakter, 2018). Second, even if the rich are a relative minority, a growing literature finds that policymaking reacts more strongly to their interests than to those of the poor (Gilens, 2012; Bartels, 2015; Peters and Ensink, 2015; Branham, Soroka and Wlezien, 2017). Hence, even a (sufficiently sizable) rich minority can wield substantial political power. Accordingly, I expect more regressive redistribution in such cases too.

2.3.2 High Regional Separation: Decentralized Redistribution

High regional separation should lead to somewhat different outcomes. When ascriptive identity groups reside in different geographical subunits, as illustrated in Panel D in Figure 2.2, their solidarity circles are structured along regional lines. In this case, the sense of "us" overlaps with one's subnational community rather than her socioeconomic class. In fact, when each group has wide income distributions, as in Panel D, its members should develop a relatively high interclass solidarity within their own region.

This logic implies that identity groups that concentrate in different regions would prefer to redistribute their income only within their subnational borders. Moreover, they may support relatively progressive welfare programs within their regions. The result, therefore, should be higher decentralization of redistributive programs at the expense of a comprehensive national system. Ac-

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[4]Empirically, it is hard to find many current instances of very small but strictly rich minorities in contemporary developed democracies. Examples of very small privileged minorities in developing regions, typically the result of colonial legacies, indicate strong protection of their economic interests (e.g., whites in South Africa, ethnic Russians in former Soviet republics, or ethnic Chinese in various countries in Southeast Asia).

cordingly, contrary to high intergroup inequality, regional segregation should lead to lower national investment in all types of redistributive programs, not just ones that cater to certain classes.

This prediction has two important caveats. The first caveat is that my argument requires sufficiently large geographical units. Much of the micro-behavioral research on intergroup contact and prejudice has focused on residential segregation. However, these units are largely irrelevant for my theoretical framework for two reasons. First, neighborhoods, towns, and counties are unsuited to manage extensive welfare programs on their own. While these units can supply some complementary social services or collect local taxes, they do not have the institutional scale and capacity to administer complex redistributive programs and/or revenue extraction. Second, while individuals may feel some personal attachment to their residential environments, deep ascriptive identities typically do not evolve around such small units. Similarly, municipal elites rarely mobilize residents on national issues based on local identities. By contrast, there are multiple examples of identity groups that treat their broader regions as historical homelands and mobilize politically to gain larger territorial autonomy. Two of these instances, in Belgium and in Spain, are examined in depth in later chapters.

The second caveat is that regional separation can vary in its symmetry. Intergroup inequality inherently creates a redistributive conflict between richer and poorer identity groups. Regional segregation, by contrast, can be either symmetrical or conflictual. The hypothetical case shown in panel D includes two symmetrically isolated groups that could amicably agree on welfare devolution. In most cases, however, only some groups are concentrated in specific regions (e.g., francophones in Canada or certain ethno-linguistic minorities in Spain) while others are dispersed over multiple parts of the country. In these cases, group interests should be more conflictual, especially if the scattered groups prefer centralized programs. Hence, I expect that cases with high regional segregation would have more welfare decentralization on average, but the extent of this devolution could depend on their political leverage and on the preferences of other groups. This power balance, moreover, may also vary by case-specific factors such as political institutions, relative group sizes, and, as I discuss next, income differences.

2.3.3 Inequality and Segregation Combined: Concurrent Processes

What happens when both intergroup inequality and regional segregation are high? Under such conditions, I argue, both factors should exert concurrent pressures for more regressive redistribution and for higher welfare decentralization. To consider why, Figure 2.3 illustrates such a case graphically. As the plot shows, the groups are separated both regionally and socioeconomically, and, accordingly, there is high regional inequality along ascriptive identity lines. As a result, ascriptive identity groups from richer regions would prefer to prevent progressive transfers to identity group in other, poorer regions. Poorer groups, by contrast, face conflicting pressures. While they may prefer to manage social policies locally due to their regional solidarity, they would nevertheless benefit from national programs that redistribute income from richer regions. Accordingly, they should support higher interregional transfers and have a weaker preference for decentralization compared to the rich group.
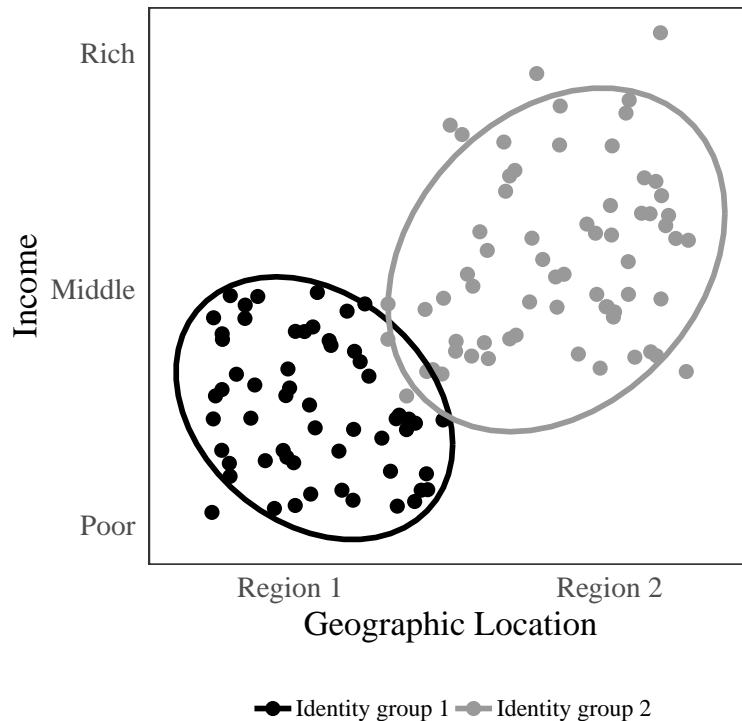
Figure 2.3: Circles of Solidarity with Both Intergroup Inequality and Regional Segregation

Therefore, rather than a substitutive or multiplicative effect of geography and class, I expect

to find an additive combination of both: higher welfare devolution and more regressive redistribution that underprioritizes the needs of poorer regions. This outcome should be driven primarily by the richer, and presumably politically stronger, identity groups. Whereas I expect to identify these trends on average, their exact scope would vary based on the political leverage held by richer groups in each case. This combined expectation thus reinforces the core predictions made separately with regard to income and geography.

This expectation is also supported by past research on interregional redistribution in federal states. Similar to my argument, these studies show that regional inequality creates a deeper interregional conflict on fiscal decentralization and redistribution. Rich regions, in particular, tend to demand higher redistributive decentralization (Beramendi, 2012; Holm, 2016; Holm and Geys, 2018). Their ability to act on this preference, moreover, varies by their institutional power (Beramendi, 2012; Rogers, 2016). This literature, however, does not pay particular attention to ascriptive diversity or intergroup differences. My theoretical framework, therefore, situates these insights in a broader discussion about ascriptive identity politics and their different contexts.

2.3.4 Mechanisms

My theoretical framework infers expected redistributive outcomes based on the interests of identity groups under different social structures. Yet, how exactly do group interests translate to policy outcomes? Three types of mechanisms come to mind. The first type of mechanisms operates through bottom-up pressures by regular group members. As the micro-behavioral literature makes clear, ascriptive identities can be a central component in people's social and political identities, nurtured from the bottom up by family, social norms, and, as my argument stresses, social structures and hierarchies. Identity group members have several tools to pressure policymakers into advancing their collective interests, from voting in elections to more advanced forms of political activism. Two attributes are particularly important. First, richer groups, as noted, tend to have a stronger influence on policymaking than their numbers alone would suggest by virtue of their economic and political capital. In cases with high intergroup inequality, we should, therefore, expect

policymakers to be more receptive to these groups' demands. Second, due to their geographic concentration, regionally segregated groups tend to have stronger social capital, better coordination, and lower barriers to collective action than dispersed electorates. Accordingly, in cases with high regional segregation, we may expect to see more organized political action, regional movements, and public pressure on elected politicians. In multilevel systems, moreover, geographical concentration can dominate regional politics, which can, in turn, create institutional leverage on national politicians.

The second type of mechanisms operates in the other direction, from the top down. Elites, often acting on their own political and economic interests, can find ascriptive identities and intergroup tensions a useful tool to gain public support. To harness these forces, elites can articulate and cultivate in-group solidarities and out-group resentments through the media, political campaigns, and public rhetoric that emphasizes the in-group's redistributive interests. For instance, when identity groups are segregated regionally, local elites can mobilize voters' ascriptive identities to demand larger political autonomy that would increase their power. As another example, rich elites can cultivate the resentment of middle- and upper-class voters against poorer minorities to promote regressive policies that benefit their own bank accounts. And, in both examples, the mere reference to the redistributive interests of identity groups can increase voter participation and partisanship. Nevertheless, to be effective, these tactics require an already receptive audience ready to pick on these cues.

Finally, a third type of mechanisms operates through political institutions, which can provide policymaking leverage to different identity groups. Formal power-sharing institutions play a particularly important part. Some institutions, for example, provide veto power to different regions or ethnic minorities that would otherwise be dominated by politically stronger groups. Similarly, electoral institutions can increase or decrease the national representation of territorially concentrated identity groups through districting and proportionality. Constitutional protections, too, can hinder the ability of strong identity groups to advance their interests aggressively at the expense of other groups. At the same time, these political institutions are not an independent explanatory force

in my theory. They do not eliminate cleavage structures and subsequent redistributive pressures, but rather determine the pace, leverage, and concrete policy tools through which these pressures translate to de facto policies. Moreover, institutions are often shaped endogenously by the same social structures and intergroup preferences that stand at the heart of my theoretical propositions. Indeed, identity groups that wish to undermine the political influence of poorer minorities or of other regions are expected to support institutional structures that would facilitate these goals better. I explore and test this point further in the empirical chapters, particularly the case studies.

2.4   Testable Hypotheses

The theoretical framework discussed in this chapter produces several testable hypotheses about the effect of ascriptive diversity, class, and geography on redistribution. Table 2.1 summarizes the primary theoretical propositions and the redistributive implications that I expect to find.

These hypotheses can be grouped by several core arguments. First and foremost, my theoretical framework suggests that higher ascriptive diversity in itself is an insufficient condition for different outcomes compared to more homogeneous democracies. Accordingly, I do not expect to find a uniformly negative relationship between ascriptive diversity in itself and redistribution. However, ascriptive diversity does affect redistribution negatively through the mediation and moderation of class and geography, to use the terminology of Baron and Kenny (1986). I thus expect that ascriptive diversity should operate in interaction with the latter two factors.

Second, as the third column in Table 2.1 indicates, my theoretical framework assumes that both intergroup inequality and regional segregation should create more exclusive forms of group solidarity. These group solidarities, however, should be different in nature: higher intergroup inequality should deepen interclass tensions, while regional segregation should deepen regional identities at the expense of national solidarity.

Third, the interaction of ascriptive diversity with inequality and with segregation should lead to different sets of redistributive implications. While both should correlate with less government investment in welfare policy, higher intergroup inequality should suppress programs that target

Table 2.1: *Summary of the Theory and Empirical Implications*

Ascriptive Diversity	Cleavage Structure	Circles of Solidarity	Redistributive Implications
Homogeneous	—	National	High investment and inclusiveness
Diverse	Cross-Cutting	Overlapping	High investment and inclusiveness
Diverse	Intergroup income inequality	Class-based	*Regressive and Exclusionary:* 1. Lower aggregate investment 2. Investment particularly low in programs targeting lower classes 3. Lower inclusiveness in programs for all classes
Diverse	Intergroup regional segregation	Regional	*Decentralized:* 1. Lower aggregate investment 2. Negative effect spread out across all national programs 3. Higher redistributive decentralization
Diverse	Inequality and segregation	Class-based and regional	*Concurrent (additive) pressures:* higher redistributive decentralization and more regressive transfers

poorer groups and limit the inclusiveness of cross-class programs. Regional segregation, by contrast, should dampen investment in all types of national programs and increase welfare decentralization to subnational units. Both factors, moreover, should operate additively rather than cancel out one another.

The next few chapters test these hypotheses empirically using both cross-sectional time-series data from a large sample of countries and years and detailed case studies of three representative countries. I select three cases that correspond broadly with the three perfect types discussed above: the US (high intergroup inequality), Belgium (high regional segregation), and Spain (both factors together). The quantitative analysis seeks broad and robust correlations that corroborate each hypothesis, while the case studies provide a detailed examination of how these relationships connect together in specific instances. The next chapter focuses on the first of these tasks.

CHAPTER III

The Heterogeneous Effect of Diversity: Time-Series Cross-Sectional Analysis, 1980–2011

3.1 Introduction

The first part of my empirical inquiry analyzes a broad array of redistributive outcomes using quantitative data from 22 developed democracies between the years 1980 and 2011. The purpose of this chapter is to identify repeated empirical patterns in a relatively large sample of countries and years while also controlling for other political, social, and economic forces that operate in the background. The patterns that I find support my hypotheses. All else equal, democracies with higher ascriptive diversity invest less in redistributive programs when their various identity groups are more unequal and/or more segregated regionally. The mediating effect of class and geography, moreover, correlates with different types of outcomes. Intergroup inequality suppresses investment in programs that target lower-class needs and deems cross-class programs more exclusionary. Intergroup regional segregation, by contrast, implicates all types of national programs and correlates with higher redistributive decentralization. Thus, I find that redistributive policies in most democracies are constrained by their ascriptive cleavage structures even as they react separately to short-term economic and political changes.

The chapter proceeds as follows. I begin by setting up my key explanatory variables—structural measures of ascriptive diversity, intergroup income inequality, and intergroup regional segregation—

and discuss my operational choices. I then use these variables with cross-sectional survey data to examine my argument's premises about intergroup solidarities, and specifically their negative implication on public perceptions of interclass solidarity and on national identification. The remainder of the chapter examines the interactive relationship between ascriptive diversity, the mediation of inequality and geography, and a set of redistributive outcomes: aggregate spending on social services, social spending by program types, the level of inclusion in key social security programs, and welfare decentralization. The chapter concludes with the primary lessons learned from the quantitative data.

3.2 Key Explanatory Variables: Diversity, Inequality, and Segregation

How should diversity, intergroup income inequality, and regional segregation be measured quantitatively across multiple countries? The answer is not straightforward and requires several nontrivial choices. Let us consider each factor in turn.

3.2.1 Ascriptive Diversity

My first explanatory variable is ascriptive diversity. In line with the current literature, I measure ascriptive diversity using the one minus Herfindahl index of social fractionalization.[1] Substantively, the index reflects the odds that two randomly selected members of a given society would belong to different groups. As society grows more diverse, so do these odds increase.

There has been a significant improvement in the quantity and quality of ascriptive fractionalization indices in recent years. Nevertheless, these indices suffer from two notable problems. First, lacking a clear criterion of choice, the multitude of indices raises the risk of post hoc cherry-picking based on their correlation with outcomes of interest. Second, available indices calculate separate scores for different ascriptive identity dimensions, typically by race, ethnicity, religion, and/or language. As I have argued earlier, however, the ascriptive nature of these identity types

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[1]The index is calculated as $F = 1 - \sum_{i=1}^{G} p_i^2$, where p_i is the relative share of group i in the general population and G is the total number of groups.

should have similar political implications when they form salient social cleavages. This imposed separation, accordingly, makes it difficult to examine comparable processes in similarly divided countries that differ only in the type of active identities that developed there historically, be it race (the US), language (Belgium), religion (Ireland), or ethnicity (Israel).

One way to deal with this problem is to calculate heterogeneity scores based only on each country's politically salient identities (e.g., Wimmer, Cederman and Min, 2009). This approach, however, is problematic for my hypotheses, which imply that the redistributive implications of ascriptive identities vary by their interplay with class and geography. A measure that considers only politically dominant identities risks absorbing, and thus obscuring, the mediating role of these factors and their differential implications. A broader measure of heterogeneity in all types of ascriptive identities is needed to test these relationships.

To deal with these problems, I calculate an original Ascriptive Identity Fractionalization (henceforth AIF) index that integrates multiple sources and identity types into a single country-score. I draw from four databases that rely on different types of primary sources: (1) three indices of ethnic, linguistic, and religious fractionalization based on encyclopedic sources (Alesina et al., 2003); (2) the Ethnic Power Relations' index of ethnic fractionalization in politically relevant groups based on expert surveys (EPR; Wimmer, Cederman and Min, 2009); (3) the Cross-cutting Cleavages Dataset's two indices of ethnic and religious fractionalization based on survey data (Selway, 2011); and (4) an index of linguistic fractionalization based on a genealogical linguistic tree analysis (Desmet, Ortuño-Ortín and Wacziarg, 2012). I assign equal weight to each identity type: I first average across all indices of a particular dimension, creating separate fractionalization scores for ethnicity, religion, and language, and then average again across all three identity types to produce a single AIF score per country.[2] Figure 3.1 summarizes the index's structure.

Due to data limitations, the AIF index is time-invariant, i.e., it assigns a fixed score per country for the entire sample period. Although this is not ideal, ascriptive heterogeneity is considered quite stable in the literature, particularly over relatively short periods of 30 years or less (Alesina et al.,

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[2]Most indices count race under ethnicity, so it is not included separately. Although they rely on different primary sources, the different indices correlate strongly along their respective identity dimensions.
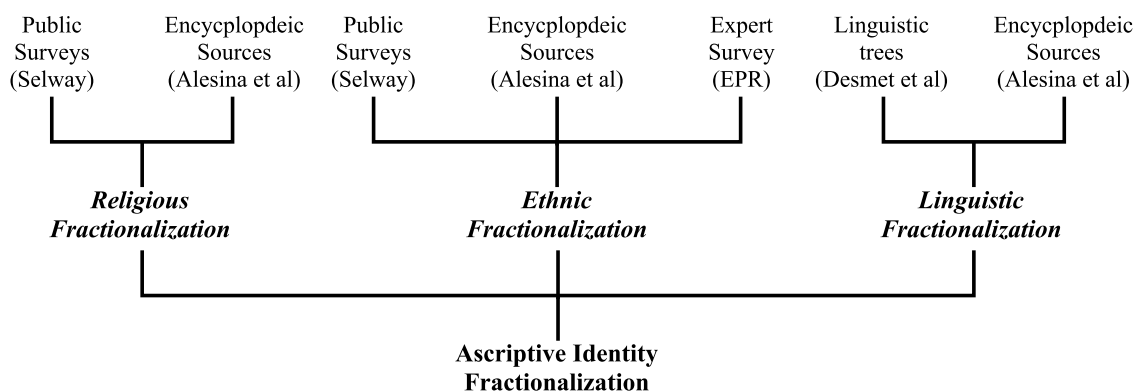
Figure 3.1: *The Ascriptive Identity Fractionalization (AIF) Index*

2003, 161). To corroborate this assumption, I recreated the AIF index using data from Patsiurko, Campbell and Hall (2012), who calculate ethnic, religious, and linguistic fractionalization scores for 18 of the countries in my sample in 1985 and then in 2000. The strong bivariate correlation between the two periods ($r = 0.93$, $p < 0.000$) implies high stability over time.

There are, of course, growing immigration inflows to Western democracies in recent years. However, this should not destabilize the AIF scores significantly during my sample period. First, immigrant populations arriving by the mid-2000s are included in the data. Indeed, the bivariate correlation between the AIF index and foreign-born population shares in 2011 (OECD data) is relatively high ($r = 0.66$, $p < 0.005$). Second, later immigration is relatively gradual: with few exceptions, annual immigration inflow rates leading to 2011 are less than 1% of the host population. Third, newer immigrants are not absorbed immediately into the cleavage structure and the political system (Bird, Saalfeld and Wüst, 2011; Dancygier et al., 2015) and should thus influence policymaking quite slowly. Nevertheless, I reestimated all my models with an additional control for annual immigration inflows as a share of the population (OECD data). Despite a smaller sample size, my findings remain robust.

3.2.2 Intergroup Inequality

My theory contends that higher ascriptive diversity would influence redistributive outcomes as a function of class and geography. The second explanatory variable, therefore, is the level of income inequality between different identity groups. I measure intergroup income differences using the Cross-Cutting Cleavages Dataset's score of income cross-cuttingness with ascriptive identities (Selway, 2011). The dataset aggregates data from various public opinion surveys from 1981–2012 to evaluate the distribution of group membership in one cleavage across another. Two cleavages cross-cut if members who cluster together in the first cleavage distribute widely across the second cleavage's categories. Conversely, they reinforce one another when the same members cluster together in both cleavages. Similar to the AIF measure, I average across two ascriptive identity scores in the dataset: cross-cuttingness of income and ethnicity and cross-cuttingness of income and religion.[3] Since high cross-cuttingness implies relative income equality across groups, I invert the score by subtracting it from 1 to reflect intergroup inequality.

This measure is relatively robust to concerns of endogeneity with redistribution levels. In particular, the correlation between two distributions—in this case, in income and in ascriptive identities—is preferable to indices that calculate intergroup inequality using the Gini coefficient of mean group incomes (e.g. Baldwin and Huber, 2010; Houle, 2015). The latter capture the level of income *dispersion* between different groups, which government taxes and transfers tend to narrow. By contrast, my measure reflects their *relative distributions* binned by income brackets, which should not change much due to welfare policies even if the gaps narrow. Nevertheless, to validate the exogeneity assumption, I reestimated my models with an alternative measure of group inequality that relies on economic development rather than income and found substantively similar results. I elaborate on this test later in the chapter and in Appendix C.

Like the AIF index, the intergroup inequality scores are time-invariant due to data limitations.

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[3]In the dataset, Selway (2011) counts linguistic groups under ethnicity. Additionally, Greece has no data on ethnicity/income cross-cuttings, but I nonetheless keep it in the sample using only its religion/income cross-cuttings score. Ethnicity plays only a minor role in Greece: its combined ethnic fractionalization score is 0.094 compared to a sample mean of 0.284. As a robustness check, I omitted Greece from all my models and found substantively similar results.

This constraint, too, should not pose a fundamental problem. As I noted earlier, welfare policies lower income gaps and insure against social risks, but they do not address deeper problems underlying social mobility. Rather, changes to mobility and stratification require long-term investment in education, infrastructure, and economic opportunities for underprivileged identity groups. Not only do such programs depend on the cooperation of politically strong groups, but they should also take years, if not generations, to make meaningful changes. That said, I corroborate this stability assumption in two ways. First, I analyzed the intersurvey stability of intergroup inequality over time using the raw data pooled by Selway (2011). Specifically, I analyzed the intergroup inequality scores of 97 comparable surveys—surveys conducted by the same data-collecting project, in the same country, using the same question wording, but in different years—and calculated the annual difference rate between all comparable dyads. The results do not show a meaningful temporal change in the relationship between identity and income. This procedure and its findings are reported in more detail in Appendix A. Second, the case studies analyzed in chapters 4–6 support this assumption as well. The US, Belgium, and Spain all demonstrate that intergroup economic differences change slowly, if at all, typically as a result of exogenous economic and structural processes.

3.2.3   Intergroup Regional Segregation

The third and final explanatory variable is the level of regional segregation between different identity groups. I measure intergroup regional segregation using the combination of two sources. First, similar to the inequality measure, I average across the Cross-Cutting Cleavages Dataset's scores of geographical cross-cuttingness with ethnicity and with religion, again inverted to reflect segregation. The majority of surveys ask respondents about their residence in key administrative units, typically regions or large provinces. As noted earlier, this unit level is appropriate theoretically: unlike residential units, regional or provincial areas can play a central part in the construction of ascriptive identities and are better suited to manage independent redistributive services than the former.

Country surveys, however, are typically designed to represent national demographics and may thus over- or under-represent specific regions. To account for possible regional biases and increase measure reliability, I weigh the cross-cuttingness scores by a second measure of intergroup segregation created by Alesina and Zhuravskaya (2011). Rather than surveys, the latter calculate regional segregation indices by ethnicity, religion, and language using formal population estimates from administrative regions. Unfortunately, these indices do not include all countries in my sample. Accordingly, I use them only for countries with available scores. As with the AIF score, I use a two-step calculation: first, I average across both sources by each identity type (where possible) and, second, I average across the latter.[4] Since the two indices use different formulas of intergroup segregation, I normalize both on a scale of 0–1 prior to the calculation.

The relationship between the AIF index and the two mediating variables, both normalized on a scale of 0–1 for better comparability, is plotted in Figure 3.2. While there is some positive correlation with ascriptive diversity ($r = 0.43$ for intergroup inequality and $r = 0.57$ for intergroup segregation), it is neither linear nor overly strong.
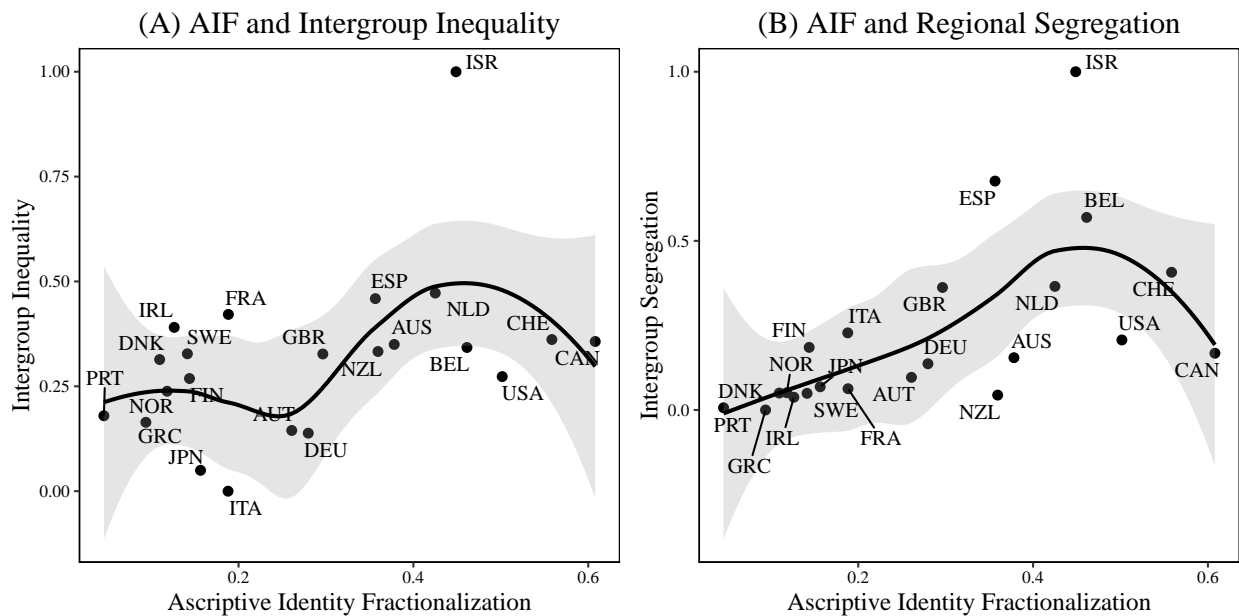
Figure 3.2: *The Relationships between AIF, Intergroup Inequality, and Regional Segregation*

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[4]The corresponding dimensions in both sources correlate relatively well.

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3.3 Premises: Class Conflict and Regional Identification

Before examining redistributive outcomes, I begin with a brief corroboration of my two main theoretical premises. The first premise assumes that higher intergroup inequality (but not regional segregation) in diverse societies should fracture interclass solidarity. The second premise assumes that higher intergroup regional segregation (but not inequality) in diverse societies should increase regional identities at the expense of national ones.

To test these premises, I use my three explanatory variables with data from two cross-sectional surveys. First, I examine the level of perceived class conflict using the Social Inequality IV module (2009) from the International Social Survey Programme (ISSP). These data include 17 countries from my sample.[5] I measure perceptions of class conflict using survey responses to the following question: "In all countries, there are differences or even conflicts between different social groups. In your opinion, in [Respondent's country] how much conflict is there between the working class and the middle class?" The answers range on a 4-point scale from "there are no conflicts" to "very strong conflicts". The question is particularly useful given its focus on tensions between the lower and middle classes, a critical coalition that can force higher income redistribution upon the rich (Persson and Tabellini, 2002; Iversen and Soskice, 2006; Lupu and Pontusson, 2011). The models also control for individual-level differences in age, sex, education level, religiosity, and full employment.

I estimate responses to this question using a multilevel linear regression with random intercepts by country. My main hypotheses posit that intergroup inequality, but not regional segregation, conditions the relationship between ascriptive diversity and class solidarity. To test this conditionality, I interact ascriptive diversity with inequality and with segregation, separately and then side by side (Brambor, Clark and Golder, 2006; Kam and Franzese, 2007). As noted earlier, I normalize both intergroup inequality and regional segregation on a 0–1 scale to better compare their moderating effects.

The results are presented in table 3.1. Model 1 finds that ascriptive diversity in itself is not

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[5]The survey does not have data from Canada, Greece, Ireland, Japan, and the Netherlands.

Table 3.1: *Perceptions of Class Conflict: Multi-Level Linear Regression*

	(1)	(2)	(3)	(4)
Country-Level				
AIF	-0.146	-1.137	-0.129	-1.219
	(0.394)	(0.716)	(0.720)	(0.752)
Inequality		-1.907***		-1.933***
		(0.713)		(0.652)
AIF × Inequality		4.128**		4.229***
		(1.759)		(1.553)
Segregation			-0.295	-0.373
			(1.050)	(0.819)
AIF × Segregation			0.527	0.781
			(2.569)	(2.115)
Individual-Level				
Age Group	-0.017***	-0.017***	-0.017***	-0.017***
	(0.005)	(0.005)	(0.005)	(0.005)
Female	0.084***	0.084***	0.084***	0.084***
	(0.012)	(0.012)	(0.012)	(0.012)
Education	-0.057***	-0.057***	-0.057***	-0.057***
	(0.007)	(0.007)	(0.007)	(0.007)
Religiosity	0.007**	0.006**	0.007**	0.006**
	(0.003)	(0.003)	(0.003)	(0.003)
Full Employment	-0.041***	-0.041***	-0.041***	-0.041***
	(0.014)	(0.014)	(0.014)	(0.014)
Constant	2.234***	2.701***	2.253***	2.741***
	(0.149)	(0.254)	(0.243)	(0.285)
Random intercept variance (country)	-1.711***	-1.911***	-1.717***	-1.921***
	(0.218)	(0.198)	(0.211)	(0.186)
Residual variance	-0.408***	-0.408***	-0.408***	-0.408***
	(0.043)	(0.043)	(0.043)	(0.043)
Observations	19,160	19,160	19,160	19,160
Countries	17	17	17	17
AIC	38,742	38,739	38,746	38,743

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$. Standard errors in parentheses.

correlated with greater perceptions of conflict between the lower and middle classes. Model 2, however, finds that it has a positive and statistically significant effect on perceptions of class conflict when intergroup inequality grows. By contrast, model 3 does not identify a similar interaction

with intergroup segregation. As model 4 shows, these differential results remain robust when the two interactions are estimated together. The findings thus corroborate my premise that ascriptive diversity with higher intergroup inequality, but not intergroup segregation, fractures the sense of solidarity between the lower and middle classes in diverse societies. To reinforce this point further, I used the same models to estimate responses to a similar question about the level of conflict between rich and poor. None of the key explanatory variables, or their interactions, were significant. This null finding implies that these cleavage structures do not create a general sense of social discord, but specifically splinter the key alliance between the poor and the middle class.

The conditional relationship found in Table 3.1 is illustrated graphically in the left-hand panel of Figure 3.3. Based on model 2, the graph simulates the effect that a hypothetical switch from complete ascriptive homogeneity to complete ascriptive diversity (i.e., from an AIF score of 0 to an AIF score of 1) would have on perceptions of class conflict conditional on different values of intergroup inequality. As the plot shows, higher ascriptive diversity does not have a statistically significant effect on perceptions of class conflict under low levels of intergroup inequality. However, when the latter are sufficiently high and growing, greater ascriptive diversity increases these perceptions on average, all else equal.

To explore my second premise, I examine the implications of the same factors on the tension between regional and national identities. I do so with data from waves 2, 3, and 4 (1990–1994, 1995–1998, and 1999–2004) of the World Values Survey (WVS), which include 11 countries from my sample.[6] As the dependent variable, I use the following question: "To which of these geographical groups would you say you belong first of all?" The answers include one's locality, region, country, continent, or the world. I recode the answers as a dummy variable that indicates the choice of region over all other options, including one's country. I include the same individual-level control variables as before, as well as fixed effects for survey waves. The probability of choosing one's region is estimated using a multilevel logistic regression with random intercepts by

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[6]The survey includes data from Australia, Canada, Finland, Germany, Japan, New Zealand, Norway, Spain, Sweden, Switzerland, and the United States. Despite its limited number of countries, the sample provides good variation in the key explanatory variables.

(A) Perceptions of Class Conflict   (B) Regional Identification
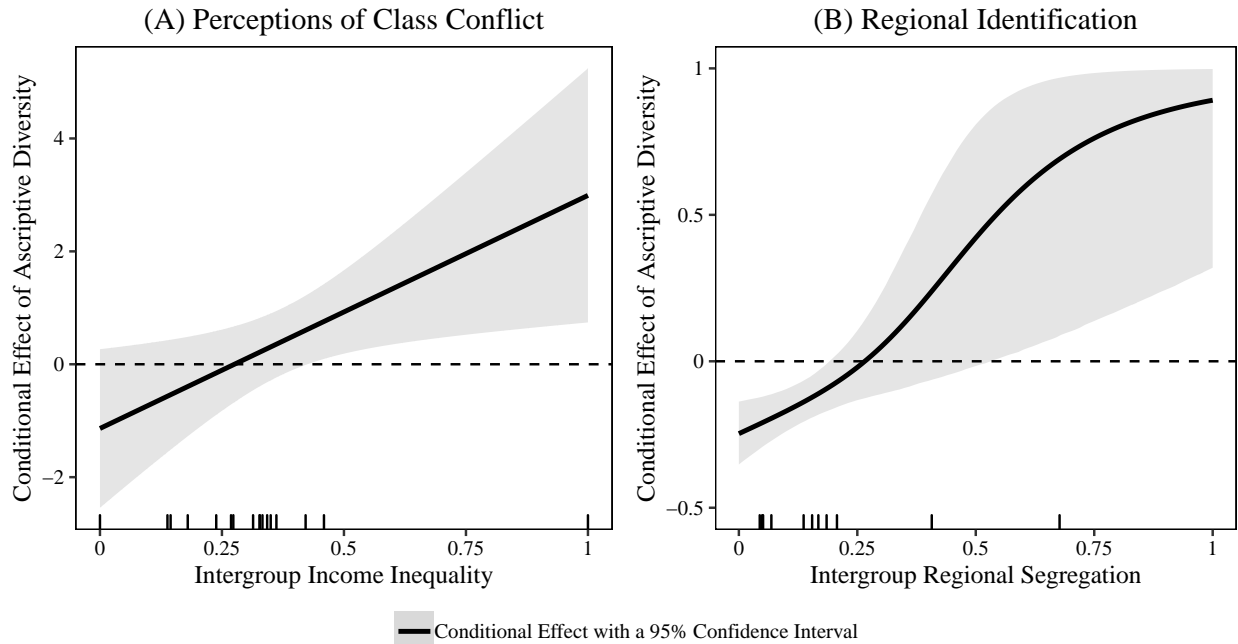
Figure 3.3: *The Conditional Effect of Ascriptive Diversity on Perceptions of Class Conflict and on Regional Identification as a Function of Inequality and of Segregation*

country.

The results, shown in Table 3.2, are the complement of the previous findings. Once again, ascriptive diversity in itself does not increase the probability of choosing one's region as the first political unit of identification. However, there is a positive and statistically significant interaction with intergroup regional segregation: ascriptive diversity increases the probability to identify first with one's region when identity groups concentrate more distinctly in different parts of the country. By contrast, this interactive effect is not found with higher intergroup inequality. As before, these findings remain unchanged when both interactions are included in the same model.

To better interpret this relationship, the right-hand panel of Figure 3.3 simulates the average effect that a switch from complete ascriptive homogeneity to complete ascriptive diversity has on the probability that respondents would identify with their regions first. The horizontal axis examines how this influence changes conditional on different values of intergroup regional segregation.[7] The graph underscores two insights, both fitting my expectations. First, greater ascriptive diversity

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[7]Since the logit function depends on all control variables, I hold them at their mean values when calculating the conditional effect. The simulation is based on model 2 in Table 3.2.

Table 3.2: *Regional Identification: Multi-Level Logistic Regression*

	(1)	(2)	(3)	(4)
Country-Level				
AIF	-0.742	-3.554	-2.897***	-2.209
	(0.555)	(2.887)	(0.745)	(2.014)
Inequality		-1.920		-0.173
		(2.445)		(1.776)
AIF × Inequality		8.726		-1.786
		(9.027)		(6.792)
Segregation			-2.978**	-2.743*
			(1.415)	(1.450)
AIF × Segregation			10.867***	10.793***
			(3.837)	(3.940)
Individual-Level				
Age Group	-0.059***	-0.059***	-0.059***	-0.059***
	(0.014)	(0.014)	(0.014)	(0.014)
Female	-0.018	-0.018	-0.017	-0.017
	(0.043)	(0.043)	(0.043)	(0.043)
Education	0.004	0.004	0.005	0.004
	(0.010)	(0.010)	(0.010)	(0.010)
Religiosity	-0.002	-0.002	-0.001	-0.001
	(0.009)	(0.009)	(0.009)	(0.009)
Full Employment	0.038	0.038	0.037	0.037
	(0.045)	(0.045)	(0.045)	(0.045)
Constant	-1.096***	-0.533	-0.656**	-0.698
	(0.243)	(0.693)	(0.267)	(0.482)
Random intercept variance (country)	0.089**	0.080**	0.034**	0.031*
	(0.041)	(0.038)	(0.017)	(0.016)
Wave Fixed Effects	Yes	Yes	Yes	Yes
Observations	18,341	18,341	18,341	18,341
Countries	11	11	11	11
AIC	15,453	15,456	15,448	15,451

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$. Standard errors in parentheses.

increases the probability that citizens identify with their regions when regional segregation is sufficiently high and as it grows further. Second, and perhaps less trivial, greater ascriptive diversity *lowers* the odds of regional identification when intergroup segregation is low. In other words, when identity groups in more diverse societies are relatively intermixed geographically, respondents find

it harder to identify with their regions than in more homogeneous societies. This finding supports my general argument about the importance of national contexts: ascriptive identities can have differing, and at times even opposite, influences depending on the social cleavages that reinforce or cross cut them.

Hence, both premises are supported by the data: intergroup inequality undermines interclass solidarity in diverse societies while regional segregation increases attachment to one's region. My larger question, nevertheless, asks how these different pressures shape redistributive outcomes, a set of hypotheses to which I turn next.

3.4 Redistributive Outcomes

3.4.1 Data, Variables, and Model Specification

My primary dataset of redistributive outcomes includes annual macro-comparative data from 22 democracies between 1980 and 2011. The countries included in my sample are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and the United States. The panel is unbalanced, i.e., not all countries have available data for all years and models.

3.4.1.1 Dependent Variables: Four Aspects of Redistribution

To test my theoretical framework, I examine several aspects of redistribution: (1) the overall size of the welfare state, (2) its internal prioritization of different social needs, (3) its inclusiveness, and (4) its decentralization. Each aspect is measured and analyzed using separate dependent variables. Let us consider each in turn.

The first dependent variable examines the overall level of government investment in welfare policy. Past research has used several measures of redistribution levels, each with its own strengths and weaknesses. I operationalize redistributive levels as each country's annual public social spend-

ing as a share of Gross Domestic Product (GDP) using the OECD Social Expenditure (SOCX) Database. The advantages of these data, for my purposes, are their standardized and annual format, their availability for a large number of countries and years, and their inclusion of both direct cash transfers and in-kind services. Furthermore, this measure correlates well with alternative variables, such as the relative reduction rate in the Gini coefficient of household income before and after taxes and transfers ($r = 0.79$, $p < 0.000$, calculated using OECD data). Although the latter is more limited in countries and years, I use it later in the chapter as a robustness test for my findings. Based on my hypotheses, I expect that overall social spending levels would be lower when, all else equal, greater ascriptive diversity is reinforced by higher intergroup inequality or by higher intergroup segregation.

The second set of dependent variables disaggregate public social spending by several categories. In line with my theoretical framework, I group spending on different programs by the type of social needs that they address: (1) age-related benefits, (2) incapacity and sickness benefits, (3) unemployment benefits, (4) social assistance and family benefits, and (5) public healthcare. All else equal, I expect that more ascriptive diversity with higher intergroup inequality would undermine spending on the last three types, which address the needs of poorer groups more clearly. Old-age and disability, conversely, should not be affected given their cross-class target audiences. By contrast, I expect that interaction with higher intergroup segregation would lead to less spending on all types of programs, reflecting lower investment in national programs as a whole.

The third set of dependent variables measure the level of inclusiveness in labor-market protection programs. I use data from the Comparative Welfare Entitlement Project (CWED2; Scruggs, Jahn and Kuitto, 2014) on two key social security programs, unemployment and sick-pay insurance.[8] As a measure of their inclusiveness, I examine the share of labor force covered under each program. All else equal, I expect that the interaction of higher ascriptive diversity with higher intergroup inequality, but not with segregation, will dampen both programs' coverage.

Finally, the fourth dependent variable is the log of effective redistributive decentralization. Fol-

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[8]The CWED2 data do not include Israel.

lowing Beramendi (2012, 213), I measure effective redistributive decentralization as the multiplication of two factors: (1) the share of direct social transfers to households that are administered by subnational authorities, calculated using Cusack's Public Finance Database, and (2) regional fiscal autonomy, measured as the degree of tax revenue decentralization (Stegarescu, 2005).[9] Weighing decentralization by fiscal autonomy gauges the de facto control that subnational units have over the redistributive policies they administer (Rodden, 2004; Beramendi, 2012). I expect that, all else equal, effective redistributive decentralization would increase when ascriptive diversity combines with higher regional segregation, but not with intergroup inequality.

3.4.1.2 Control Variables

In addition to my primary explanatory variables, I also control for other factors that explain cross-sectional and temporal differences in redistributive spending, inclusiveness, and decentralization. When estimating social spending and coverage, I control for a set of institutional factors (the number of institutional veto points), political factors (cabinet partisanship and union power), and socioeconomic factors (unemployment rate, labor force participation, female participation in the labor force, the share of elderly population, the log of trade, and the log of GDP per capita).

When estimating redistributive decentralization, I control for institutional factors (federalism and proportional representation), economic factors (regional income inequality, the log of GDP per capita, and GDP growth) and sociodemographic factors (the log of total population, population density, and the share of urban population). Table 3.3 summarizes the full list of control variables, their operationalization, and their data sources.

3.4.1.3 Empirical Specifications

My estimations consist of a series of pooled OLS regressions. Due to indications of panel-specific heteroskedasticity and the likelihood of spatially correlated errors in social spending and coverage data, their estimations calculate panel-corrected standard errors (Beck and Katz, 1995,

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[9]The available data are limited to the years 1980–1997 and exclude Israel and New Zealand.

Table 3.3: *Definitions and Sources of Control Variables*

Variable	Definition	Data Source
Veto	An additive index of veto points: (1) degree of federalism, (2) presence of presidentialism, (3) degree of bicameralism, (4) use of referenda, (5) degree of proportionality, (6) presence of judicial review	Armingeon et al. (2016)[a]
Left	The share of cabinet portfolios held by left-wing parties	Swank (2013), EJPR Political Data Yearbook[b]
ChristDem	The share of cabinet portfolios held by Christian-Democratic parties	Swank (2013)
CWB	Centralization of wage bargaining	Visser (2015)
Unemployment	Unemployment rate as a share of the total labor force	World Economic Outlook Database
LabForce	Civilian labor force participation as a share of population aged 15 or above	OECD Labor Statistics
FemLabForce	Female participation as a share of the civilian labor force	OECD Labor Statistics
Elderly	The share of population aged 65 or above	World Development Indicators
LogTrade	The log of trade (the sum of exports and imports of goods and services) as a share of GDP	World Development Indicators
LogGDP	The log of gross domestic product based on purchasing-power-parity (PPP) per capita	World Economic Outlook Database
RegInequality	Cross-cuttingness of income and geography (inverted)	Selway (2011)
Federalism	Degree of Federalism	Armingeon et al. (2016)
Proportionality	Degree of Electoral Proportionality	Armingeon et al. (2016)
LogPopulation	The log of total population in country	OECD
PopDensity	Population density (total population divided by land size in square kilometers)	World Development Indicators
Urban	The share of population living in urban areas	World Development Indicators

[a] I use Armingeon et al's coding rules to calculate various components for Israel, which is missing form their dataset.

[b] Swank's database does not include Israel. I use his coding rules and data from the European Journal of Political Research (EJPR) Political Data Yearbook to calculate the cabinet portfolio allocation for left parties in Israel during all sample years. Israel does not have Christian-Democratic parties.

2011). I analyze social spending and coverage data using an error-correction model (ECM; David-son et al., 1978; Beck, 1991; De Boef and Keele, 2008). The ECM specification is particularly appropriate for social spending data given their slow change rate and strong serial autocorrelation. This approach models the relationship between the outcome and explanatory variables as a stable equilibrium that is occasionally disturbed by short-term shocks and then reverts to the longstanding trend. These complex dynamics are estimated by regressing changes in the dependent variable on the lagged values of the independent variables (long-term equilibrium relationship), their first dif-ference (short-term disturbances), and the lagged value of the independent variable (the correction back to equilibrium).[10] In this particular application, some of the control variables—labor force participation, female participation in the labor market, population aging, and logged trade—show stable trends without notable short-term shocks. Accordingly, I only consider the first difference of variables that exhibit sufficient short-term fluctuation to cause sudden shocks: the partisan com-position of cabinets, centralization of wage bargaining, unemployment rates, and logged GDP per capita.

My primary explanatory variables are time-invariant and thus estimated only in levels, i.e., they relate to the equilibrium relationship rather than to the higher-frequency ones. Their effect, therefore, is modeled as a constant sociodemographic influence outside the dynamic adjustments caused by political and economics factors. As before, I interact ascriptive diversity with inter-group inequality and with regional segregation to test their hypothesized conditionality. Formally, changes in redistribution levels and in coverage are modeled as follows:

$$\Delta R_{i,t} = \alpha + \boldsymbol{\beta_1'}\boldsymbol{\Delta X1_{i,t}} + \gamma(R_{i,t-1} - \boldsymbol{\beta_2'}\boldsymbol{X1_{i,t-1}} - \boldsymbol{\beta_3'}\boldsymbol{X2_{i,t-1}}) +$$

$$\beta_4 AIF_i \times Inequality_i + \beta_5 AIF_i \times Segregation_i + \epsilon_{i,t}$$

where $\boldsymbol{\beta_1}$ estimates the short-term effect of a vector of dynamic control variables $\boldsymbol{X1}$, $\boldsymbol{\beta_2}$ and $\boldsymbol{\beta_3}$ estimate the long-term effect of these dynamic variables and of stabler control variables $\boldsymbol{X2}$,

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[10]Following a series of Lagrange multiplier tests, most models also include the lagged first-difference of GDP (the denominator of social spending) to eliminate remaining autocorrelation. The lagged change in the dependent variable indicates that the complex dynamics include persistence in momentum as well.

γ is the error-correction term capturing the adjustment rate back to equilibrium, and β_4 and β_5 estimates the interactive effects of my primary explanatory variables. My primary interest is in the latter coefficients.

Effective redistributive decentralization, by contrast, tends to be stabler over time and is estimated using less dynamic factors. I therefore follow Beramendi (2012) and analyze these data using a simpler OLS regression model with panel-specific AR(1) correction for autocorrelated errors. Formally, the levels of effective redistributive decentralization are modeled as follows:

$$D_{i,t} = \alpha + \boldsymbol{\beta'_1 X_{i,t}} + \beta_2 AIF_i \times Inequality_i + \beta_3 AIF_i \times Segregation_i + \epsilon_{i,t}$$

$$\epsilon_{i,t} = \rho\epsilon_{i,t-1} + \nu_{i,t}$$

Several alternative model specifications—including slower-changing independent variables, fewer controls, a standard lagged dependent variable (LDV) model, and simpler cross-sectional model with a between-effects estimator—support the same substantive conclusions despite their relative weaknesses. I use the ECM as the baseline specification because it both controls for additional variables (unlike a simple cross-sectional model with fewer degrees of freedom) and captures intricate temporal dynamics by separating stable relationships from short-term disturbances (unlike a simpler Lagged Dependent Variable model). I elaborate upon these alternative specifications later in this chapter and in Appendix C.

3.4.2 Findings

3.4.2.1 Aggregate Redistribution

The first set of findings, presented in Table 3.4, examines whether intergroup inequality and segregation mediate the negative relationship between ascriptive diversity and aggregate social spending. Contrary to the common macro-comparative argument, Model 1 finds that ascriptive diversity in itself does not have a statistically significant effect on annual changes in social spending.

Table 3.4: *Overall Public Social Spending: Error-Correction Model*

	(1)		(2)		(3)		(4)	
	Coef.	PCSE	Coef.	PCSE	Coef.	PCSE	Coef.	PCSE
Structural Relationships								
AIF	-0.272	(0.236)	0.201	(0.253)	1.348***	(0.413)	1.447***	(0.402)
Segregation			2.358***	(0.741)			2.146**	(0.843)
AIF × Segregation			-5.789***	(1.775)			-5.157**	(2.387)
Inequality					2.308***	(0.647)	2.157***	(0.640)
AIF × Inequality					-5.935***	(1.655)	-5.140***	(1.908)
Veto	-0.004	(0.019)	0.031	(0.023)	-0.007	(0.018)	0.026	(0.026)
Short-Term Relationships								
ΔLeft	0.000	(0.001)	0.000	(0.001)	-0.000	(0.001)	-0.000	(0.001)
ΔChristDem	0.008**	(0.004)	0.007*	(0.004)	0.009**	(0.004)	0.008**	(0.004)
ΔCWB	0.035	(0.052)	0.035	(0.050)	0.029	(0.051)	0.029	(0.050)
ΔUnemployment	0.139***	(0.039)	0.136***	(0.039)	0.130***	(0.039)	0.126***	(0.038)
ΔLogGDP	-20.941***	(1.989)	-21.014***	(1.950)	-21.299***	(1.948)	-21.328***	(1.922)
Long-Term Relationships								
Left_{t-1}	0.000	(0.001)	0.000	(0.001)	0.000	(0.001)	-0.000	(0.001)
ChristDem_{t-1}	0.001	(0.002)	-0.000	(0.002)	0.003**	(0.002)	0.002	(0.002)
CWB_{t-1}	0.047	(0.031)	0.048	(0.031)	0.041	(0.031)	0.042	(0.031)
$\text{Unemployment}_{t-1}$	-0.011	(0.010)	-0.023**	(0.010)	-0.021**	(0.010)	-0.032***	(0.011)
LabForce_{t-1}	-0.002	(0.007)	-0.004	(0.007)	-0.011	(0.007)	-0.011	(0.008)
FemLabForce_{t-1}	0.014	(0.009)	0.021**	(0.010)	0.019**	(0.009)	0.021**	(0.010)
Pop65_{t-1}	0.030**	(0.015)	0.027*	(0.014)	0.052***	(0.018)	0.050**	(0.020)
LogTrade_{t-1}	-0.002	(0.072)	0.137	(0.091)	-0.041	(0.071)	0.065	(0.087)
LogGDP_{t-1}	-0.200	(0.145)	-0.303**	(0.150)	-0.253*	(0.143)	-0.337**	(0.152)
Error-Correction Term								
Spending_{t-1}	-0.037***	(0.010)	-0.045***	(0.010)	-0.054***	(0.011)	-0.058***	(0.011)
Lagged Differences								
$\Delta\text{Spending}_{t-1}$	0.189***	(0.058)	0.181***	(0.057)	0.177***	(0.057)	0.170***	(0.056)
$\Delta\text{LogGDP}_{t-1}$	10.020***	(1.904)	9.002***	(1.900)	8.867***	(1.905)	8.077***	(1.888)
Observations	627		627		627		627	
Countries	22		22		22		22	
R^2	0.517		0.526		0.528		0.535	

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$. Panel-corrected standard errors in parentheses.

While the coefficient has the expected negative sign, it is small in size and relatively noisy.[11]

The negative effect of ascriptive diversity, however, gains statistical significance once the two mediating factors are added, separately or side by side. The negative and statistically significant interaction terms in models 2 and 3 indicate that ascriptive diversity dampens social spending more strongly when either inequality or regional segregation increase in size. Figure 3.4 illustrates

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[11]To verify that this null result is not an artifact of my AIF measure, I reran model 1 using the original ethnic, linguistic, and religious fractionalization measures used by Alesina and Glaeser (2004). None of their indices produced a statistically significant coefficient.

this mediation visually by plotting the conditional effect of a hypothetical shift from complete ascriptive homogeneity to complete ascriptive heterogeneity under different values of inequality (left-hand panel) and segregation (right-hand panel). The two graphs demonstrate that ascriptive diversity requires certain minimal levels of segregation and inequality to influence social spending and that this negative relationship intensifies as the two factors increase in size. Model 4 shows that the two interactive effects remain unchanged when estimated side by side, implying that they operate concurrently and independently of one another.[12]
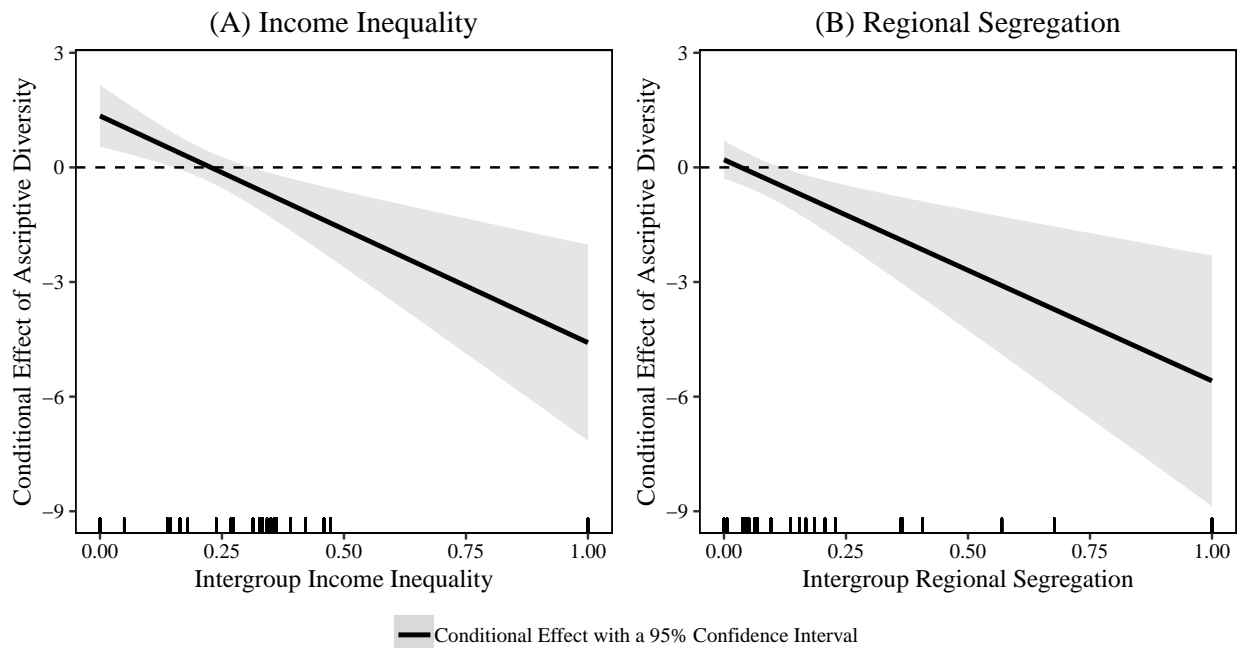
Figure 3.4: *The Conditional Effect of Ascriptive Diversity on Overall Public Social Spending as a Function of Inequality and of Segregation*

Most, although not all, control variables in Table 3.4 have a statistically significant relationship with aggregate social spending. In almost all models, social spending grows more strongly given long-term trends of lower unemployment, more females participation in the labor market, and an older population—all reflect either a stabler tax base or increased demand for social services by working women and the elderly. Increased GDP is negatively associated with social spending both in the long and short term, not least due to its mechanical effect as the outcome's denominator.

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[12]Although not shown here, a three-way interaction between ascriptive diversity, inequality, and segregation is statistically insignificant, lending additional support to the hypothesis that class and geography operate independently.

Social spending also grows due to short-term increases in the political power of Christian Democratic parties and in unemployment. The latter exemplifies the complex relationship between social spending and unemployment: a sudden increase in unemployment raises the demand for benefits, but, as it sustains over the long term, the government's available revenue base shrinks. Finally, the negative and statistically significant error term indicates that social spending tends to revert back to its long-term trends after short-term shocks.

Contrary to what we may expect, the estimations in Table 3.4 do not find statistically significant correlations with the number of institutional veto points, the political power of the left, labor force participation rates, and trade. The minimal impact of institutions is particularly interesting and supports my argument on their limited independent power. Although I do not show it here, three-way interactions with the veto point index do not produce statistically significant coefficients. In later chapters, I show that specific institutions can operate as a mechanism that explains the exact pace and policy tools through which preferences translate to concrete redistributive policies.

3.4.2.2   Program Prioritization

My theoretical framework, nevertheless, predicts that class and geography should implicate redistributive priorities differently. To examine these differences, I regress each of the five subcategories of social spending—together with an additional measure of old-age pension requirements that I discuss below—on the same set of covariates. For ease of presentation, Figure 3.5 presents only the coefficients of the two interactions, regressed side by side, by model.[13] The interactions remain substantively unchanged when estimated separately rather than side by side, and in fact produce smaller standard errors and higher statistical significance than shown here.

The results largely support my theoretical expectations. As I expect, higher intergroup inequality dampens only spending that targets lower-class needs: unemployment, social assistance, and public healthcare. At the same time, this interactive effect is not found in cross-class programs that address old-age and incapacity needs, both relevant for stronger identity groups as well.

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[13]The full estimations are presented in tables B.1 and B.2 in Appendix B.
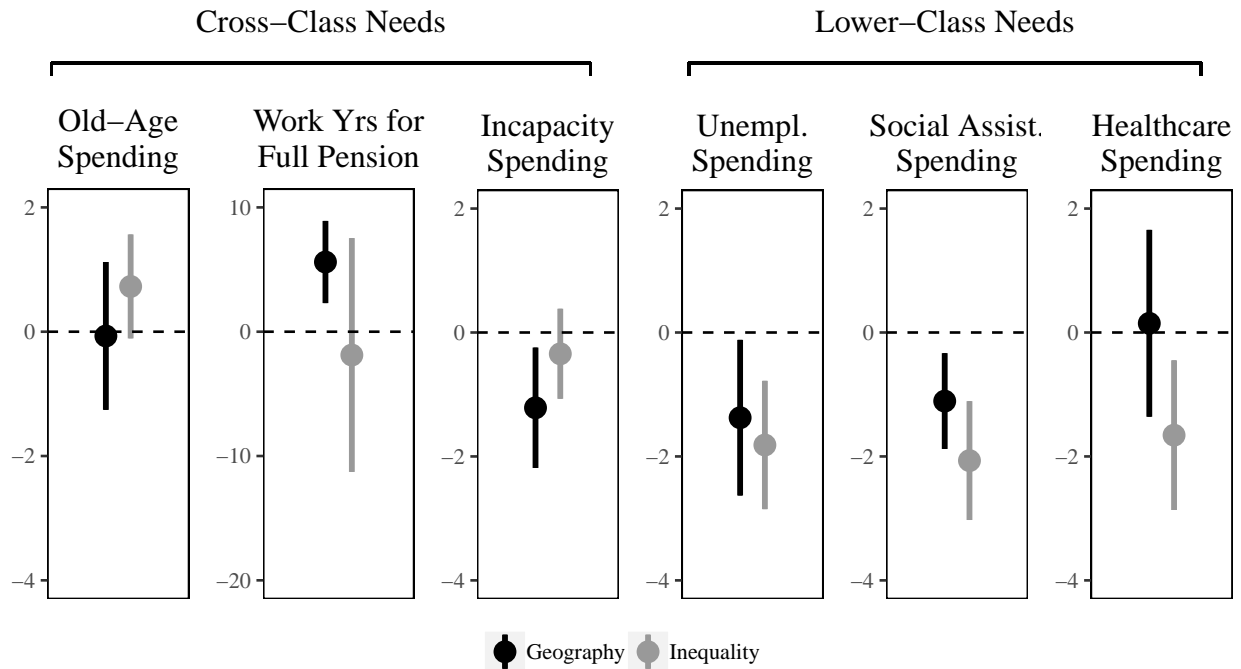
Figure 3.5: *Public Social Spending by Type of Program: Coefficient Plot of Interaction Terms from Error-Correction Models*

By contrast, as groups are more segregated regionally, the negative effect of ascriptive diversity crosses class lines, including lower spending on incapacity, unemployment, and social assistance programs. There are two exceptions, however. The first is spending on old-age programs, where the interaction remains statistically insignificant. Yet, old-age spending stands out due to the continuous and rapid aging trends across the developed world. It may be the case, therefore, that the fast growth in demand for old-age services tramples counter-pressures. To test this possibility, I use an alternative measure with lower sensitivity to this mechanical effect: the number of years that a person is formally required to work to be considered fully covered by a public pension (data from Scruggs, Jahn and Kuitto, 2014). Unlike the other coefficients, a higher value implies stricter prerequisites (i.e., more years in the labor market) that limit the number of full public pensions. The results, shown in the second panel from the left, indicate that ascriptive diversity with more segregation is indeed associated with higher barriers for a full government pension. Thus, higher segregation, but not intergroup inequality, has dampening implications for old-age programs too.

The second exception is in public healthcare spending, where the interaction with segregation

is insignificant and quite noisy. This outcome can be explained by two unique trends in public healthcare management. First, due to the large size of public healthcare systems, devolution of healthcare financing is often driven not by identity politics but by attempts to improve efficiency and curb costs, including in cases with lower ascriptive diversity than average (e.g., Italy or Sweden). Second, in several cases with high ascriptive diversity and regional segregation (e.g., Belgium or the United Kingdom), the provision of healthcare was in fact decentralized but funds are still transferred from the central government (Saltman, Bankauskaite and Vrangbaek, 2007; Costa-Font and Greer, 2013). With the exception of healthcare, however, ascriptive diversity with higher regional segregation suppresses government investment in all types of programs, as I expect.

3.4.2.3   Coverage

Lower spending on the lower classes is not the only way that richer groups can minimize intergroup redistribution in diverse, unequal democracies. Another course of action, I argued, is by restricting the access of poor minorities to core social security programs that serve both groups, especially insurance against labor market risks. Models 1–4 in Table 3.5, shown without control variables for ease of presentation, support this expectation.[14] While higher diversity in itself does not affect unemployment or sick-pay coverage, it restricts both when identity groups are more unequal. Regional segregation, which should not fracture class relations, does not have the same mediating effect.

Can we be sure that lower coverage indeed hurts weaker workers? To corroborate this assumption, I examine whether the same factors also predict other labor-market policies that benefit strictly stronger workers. In model 3, I estimate the implications on the OECD's Employment Protection Legislation (EPL) index for individual and collective dismissals of regular contracts, an accepted measure of pro-insiders policy in segmented labor markets (Rueda, 2005). Since the EPL scores hardly change over time, this model is estimated using a cross-sectional OLS regression with a between-effects estimator that averages variable values for the entire sample period.[15] Consistent

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[14]The full estimations are presented in Table B.3 in Appendix B.

[15]Since strong workers are typically organized in powerful unions, I include an additional control variable for union

Table 3.5: *Unemployment and Sick-Pay Coverage and Employment Protection Legislation: Error-Correction Model*

	Unemployment		Sick-Pay		EPL
	(1)	(2)	(3)	(4)	(5)
AIF	0.002	0.086**	-0.006	0.101**	-19.924*
	(0.007)	(0.036)	(0.010)	(0.044)	(6.707)
Inequality		0.081**		0.112***	-11.582*
		(0.032)		(0.037)	(4.657)
AIF × Inequality		-0.263**		-0.356**	51.867*
		(0.120)		(0.144)	(18.148)
Segregation		-0.003		0.011	2.474
		(0.022)		(0.014)	(6.551)
AIF × Segregation		0.008		-0.005	-7.596
		(0.063)		(0.036)	(18.838)
Control Variables	Yes	Yes	Yes	Yes	Yes
Observations	539	539	535	535	562
Countries	20	20	20	20	21
R^2	0.110	0.129	0.144	0.177	0.804

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$. Panel-corrected standard errors (models 1–4) and regular standard errors (model 5) in parentheses.

with the previous two models, higher ascriptive diversity with more intergroup inequality indeed leads to stronger protections for better-off workers at the expense of weaker ones. Intergroup segregation, meanwhile, does not make a difference.

3.4.2.4 Redistributive Decentralization

While intergroup segregation implicates all types of redistributive programs, I hypothesized that this negative influence reflects broader pressures to decentralize redistribution from the national to the regional level. To test this hypothesis, Table 3.5 presents model estimations of the level of effective redistributive decentralization. Unlike social spending, model 1 shows that higher ascriptive diversity in itself correlates with more redistributive decentralization. This finding echoes previous arguments that higher ascriptive diversity is often accommodated by greater political decentralization writ large (Linz, 1997; Stepan, 2001; Obinger, Liebfried and Castles, 2005). Nev-

density in this model using data from Visser (2015). The full estimation is presented in Table B.4 in Appendix B.

ertheless, as I expect, model 2 finds that this negative relationship increases in size when diverse identity groups are more segregated. This trend is illustrated visually in the right-hand panel in Figure 3.6. Model 4 demonstrates that this mediation holds, and even increases in slope, when the interaction between ascriptive diversity and intergroup inequality is added.

Table 3.6: Effective Redistributive Decentralization: OLS Regression

	(1)	(2)	(3)	(4)
AIF	2.061***	2.439	17.419***	11.999***
	(0.752)	(1.844)	(3.593)	(4.228)
Segregation		-10.572***		-10.813***
		(2.458)		(2.976)
AIF × Segregation		19.836***		28.235***
		(6.613)		(8.657)
Inequality			10.175***	5.895*
			(2.175)	(3.316)
AIF × Inequality			-42.995***	-34.388***
			(8.712)	(12.740)
RegInequality	-1.151	13.612***	1.450	8.515
	(5.537)	(4.669)	(5.316)	(5.488)
Federalism	0.432***	0.136	0.144	0.049
	(0.097)	(0.115)	(0.107)	(0.104)
Proportionality	0.923***	0.382	1.043***	0.855**
	(0.278)	(0.340)	(0.303)	(0.434)
LogGDP	0.829***	0.671***	0.847***	0.715***
	(0.222)	(0.237)	(0.225)	(0.268)
ΔLogGDP	1.903*	2.029*	1.536	1.771
	(1.155)	(1.140)	(1.086)	(1.122)
LogPopulation	-0.511***	-0.224**	-0.779***	-0.716***
	(0.092)	(0.110)	(0.110)	(0.224)
PopDensity	0.001	-0.001	0.003**	0.001
	(0.001)	(0.001)	(0.001)	(0.002)
Urban	0.091***	0.127***	0.070***	0.119***
	(0.015)	(0.018)	(0.013)	(0.015)
Observations	318	318	318	318
Countries	20	20	20	20
R^2	0.619	0.704	0.658	0.723

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$. Standard errors in parentheses.

Interestingly, although my theoretical framework is neutral on the role that intergroup inequal-

| | (A) Income Inequality | (B) Regional Segregation |
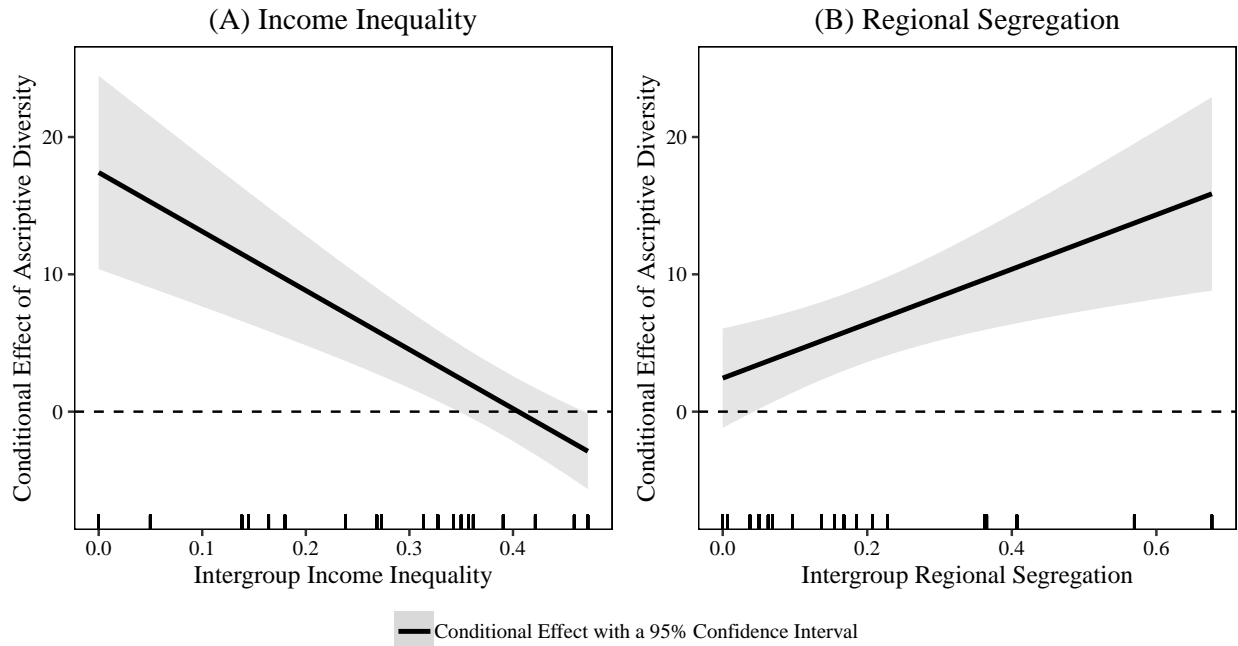
Figure 3.6: *The Conditional Effect of Ascriptive Diversity on Effective Redistributive Decentralization as a Function of Inequality and of Segregation*

ity plays in welfare decentralization, model 3 finds that it has a negative mediating effect. As the left-hand panel in Figure 3.6 shows, high ascriptive diversity is correlated with more centralization of welfare services when intergroup inequality grows. Nevertheless, this pattern fits my broader theoretical logic: since intergroup inequality leads to discrimination of poorer identity groups, politically stronger groups may prefer to keep policymaking under their centralized control rather than face grassroots initiatives by the former. This possibility opens rooms for further research, particularly given cross-country variation in the geographical distribution and political representation of the poor (Jusko, 2017). However, this outcome is also more statistically unstable than the interaction with segregation. First, the share of variation explained by model 3, expressed in its R^2 value, is appreciably lower than that of model 2, implying that segregation has a stronger explanatory power than inequality. Second, the estimation's statistical fit is sensitive to influential cases, and specifically Greece. Once Greece is omitted from the sample, the interactive coefficient of ascriptive diversity and inequality in model 4 loses its magnitude and statistical power, whereas the effect of ascriptive diversity and segregation remains robust.

Most control variables in Table 3 have a statistically significant effect on welfare decentral-

ization. In almost all models, all else equal, higher redistributive decentralization is associated with proportional electoral rules, a higher GDP, a smaller population, and a higher share of urban population. Higher GDP growth, federalism, and population density are positively correlated with decentralization in one or two models but lose their statistical significance once the interaction terms are included together. Interregional income inequality is positively associated with decentralization, as expected, but its statistical significance diminishes once the interaction of ascriptive diversity and intergroup inequality is taken into account. This finding may imply that part of the explanatory power of interregional inequality, which has received notable scholarly attention, could reflect identity politics as well.

3.4.3 Robustness Tests

The primary findings presented in this chapter are robust to several potential issues. The first potential concern is that the countries in my sample may not pool well. Unaccounted heterogeneity between cases, in turn, may undermine the model's inferences. To rule out this possibility, I cross-validated all models by dropping each country at a time and comparing the statistical fit in every iteration (Beck and Katz, 2011). The models perform similarly well in all cases, with two exceptions. The first, which was discussed above, is Greece's notable influence on the estimation fit of welfare decentralization under high intergroup inequality. The second is Ireland's strong influence on the estimation fit of employment years required for old-age pensions. Nevertheless, that model produces substantively similar results when Ireland is dropped from the sample.

A second potential concern is that the estimations are overly dependent on some of my more arbitrary modeling choices. To address this concern, I reestimated the primary ECM models with several alternative specifications. First, to model slower effects over time compared to my strictly annual data, I replaced all yearly control variables with their 3-year moving averages. Second, since some of the institutional and political control variables may be partially endogenous to ascriptive diversity and social structures, I reestimated all my models without them. Third, I replaced the ECM with a standard lagged dependent variable (LDV) model, firstly with the first lag of all

independent variables and then with their 3-year moving averages. Finally, I reestimated all my models with a simple cross-sectional between-effects estimator. Due to the limited degrees of freedom in this specification, I omitted all control variables (except for the log of GDP per capita, which controls for changes in the denominator of social spending, and its first difference, which controls for real GDP per capita growth rate) and estimated the two interactions separately. Despite their weaker fit to the data, all alternative specifications support my conclusions. I report their results in more detail in Appendix C.

A third potential concern is that social spending as a share of GDP does not capture redistribution levels accurately. To validate my findings with respect to this concern, I reestimated the ECM specification with an alternative measure of redistribution, the relative reduction in income inequality before and after taxes and transfers, using data from the Luxembourg Income Study (LIS). Whereas social spending reflects government input into redistributive policies, relative income inequality reduction can be seen as one of its outputs. In particular, higher values reflect more regressive policies, and as such should be affected by intergroup inequality more than by intergroup regional segregation.

As noted above, the data on inequality reduction is more limited in countries and years.[16] Since the LIS data are not annual and are spaced unequally in different countries, I follow Persson, Roland and Tabellini (2007, 19) and Lupu and Pontusson (2011, 324) in averaging the values of annual independent variables for the period between every two country observations. Overall, I have 88 data point from 19 countries between the years 1983 and 2005. The results, presented in a truncated form in Table 3.7, once again corroborate my findings.[17] As before, contrary to the common claim, ascriptive diversity in itself does not predict lower inequality reduction. Model 2, however, finds a negative relationship when intergroup inequality is higher, indicating that redistribution becomes less progressive when identity groups cluster in different parts of the income distribution. As expected, model 3 does not find that regional segregation has a similar mediat-

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[16]Specifically, the LIS data do not include Japan, New Zealand, and Portugal. Because of the low number of time periods per country and their inconsistent availability across different countries, I estimate robust standard errors instead of panel-corrected standard errors.

[17]The full estimation is presented in Table B.5 in Appendix B.

ing effect. Finally, model 4 demonstrates again that the interactions do not change much when estimated included together. The results, then, corroborate my earlier findings about the internal redistributive priorities under each context.

Table 3.7: *Relative Income Inequality Reduction after Taxes and Transfers: Error-Correction Model*

	(1)	(2)	(3)	(4)
AIF	0.009	0.173**	0.093	0.169*
	(0.063)	(0.087)	(0.101)	(0.102)
Inequality		0.091		0.087
		(0.061)		(0.063)
AIF × Inequality		-0.435***		-0.373*
		(0.157)		(0.195)
Segregation			0.029	-0.006
			(0.149)	(0.169)
AIF × Segregation			-0.208	-0.030
			(0.392)	(0.497)
Control Variables	Yes	Yes	Yes	Yes
Observations	88	88	88	88
Countries	19	19	19	19
R^2	0.404	0.451	0.443	0.452

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$. Robust standard errors in parentheses.

A final potential concern is that my measures of intergroup inequality and regional segregation may be inaccurate or endogenous to social policies despite my theoretical reassurances. To confirm the validity of these measures, I reran my models with an alternative measure for each in turn. I first replace my intergroup inequality variable with a measure of ethnic inequality created by Alesina, Michalopoulos and Papaioannou (2016).[18] The latter map nighttime satellite imagery of light density, which reflects economic development, onto historic homelands of different ethnic groups within each country. They then calculate a Gini coefficient of light-density inequality between subnational ethnic regions. This alternative measure should be more strongly exogenous to welfare policies, but has two significant weaknesses: first, it refers only to ethnicity, and, second, the focus on historic homelands excludes ascriptive cleavages formed through non-geographic processes

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[18]I use scores from the year 2000 based on data from Geo-Referencing of Ethnic Groups (GREG) and excluding groups smaller than 1% of the population. Since this measure is related to geographic goods distribution, the estimations do not include regional segregation to avoid potential confounding.

such as migration, slave trade, or religious conversion. Even so, it correlates reasonably well with my cleavage reinforcement measure ($r = 0.65$, $p < 0.01$). The results, which are reported in more detail in Table C.4 in Appendix C, corroborate my findings.

Next, I substitute my segregation measure with an alternative measure proposed by Alesina and Zhuravskaya (2011). Assuming that in-groups members from neighboring countries concentrate near shared borders, the alternative measure predicts the geographical distribution of different identity groups by matching them with similar groups in each adjacent country. A positive share of in-group members in a neighboring country positively skews the group's assumed geographical distribution toward the bordering region. The predicted distributions are then used to calculate a measure of intergroup segregation. Alesina and Zhuravskaya (2011) compute three separate instruments by ethnicity, religion, and language, which I average to create a single country score. This variable, too, correlates strongly with my own segregation measure ($r = 0.72$, $p < 0.001$). Rerunning my models with this alternative variable supports my original findings, as reported in Table C4 in Appendix C. Despite their crudeness, then, both alternative variables provide additional corroboration for my measures and my findings.

3.5   Conclusion: Lessons and Gaps

In summary, the set of empirical patterns presented in this chapter provide consistent and varied support for my theoretical propositions. Contrary to the common argument, ascriptive diversity in itself does not predict lower redistribution levels in developed democracies, echoing the empirical puzzle with which I started. However, the negative implications of ascriptive diversity appear once we consider the national contexts within which it operates, particularly high intergroup inequality and high regional segregation.

Furthermore, each of these factors carries its own set of redistributive implications. When more diverse democracies have greater intergroup inequality, their redistributive outcomes are more regressive and exclusionary. In particular, the mediating influence of higher intergroup inequality correlates with less investment in programs that target lower-class needs, lower coverage rates in

cross-class programs, and lower inequality reduction after taxes and transfers. Yet, at the same time, these factors do not undermine the benefits and access enjoyed by better-off groups. Higher ascriptive diversity also tends to depress investment in redistribution when different identity groups cluster in different parts of the country. Yet, contrary to intergroup inequality, regional segregation is not correlated with more regressive outcomes. Instead, these conditions lead to lower public investment in all types of national programs (with the exclusion of public healthcare) and to more welfare devolution to subnational units. Furthermore, the analyses indicate that the pressures exerted by intergroup inequality and by regional segregation operate concurrently and independently of one another. These differential outcomes are supported by multiple indicators and are robust to several diagnostic tests.

My analysis implies that the structural combination of ascriptive diversity, intergroup inequality, and regional segregation is a constant influence on redistributive patterns alongside other economic and political factors. The findings, therefore, do not cancel out the importance of the latter or argue that redistribution is set solely by identity politics. Rather, the analysis indicates that redistributive politics operate dynamically within the limits of stable cleavage structures. While, on average, all developed democracies react similarly to shocks in unemployment or to long-term population aging, higher ascriptive diversity with structural inequalities or with regional divisions constraints these reactions compared to more homogeneous or cross-cutting social structures.

At the same time, these findings tell us very little about the development and manifestation of these correlational relationships in concrete, and messier, cases. Moreover, by testing a series of separate hypotheses, they do not examine the causal chain and mechanisms that link the different theoretical parts together. To gain a deeper understanding of these issues, the next few chapters analyze three representative cases—the US (diversity with high inequality), Belgium (diversity with high segregation), and Spain (diversity with both factors)—with particular focus on the context, coherence, and connections that underly the broader patterns identified in this chapter.

<center>**CHAPTER IV**</center>

Race, Intergroup Inequality, and Redistribution in the United States

4.1 Introduction

My first case study examines the relationships between high intergroup inequality and redistribution in the United States, with a particular focus on the country's long-standing racial cleavage. Race relations between whites and blacks have been deeply woven into the socio-political fabric of the United States since its colonial days.[1] Equally important, there has been notable economic inequality between whites and blacks throughout American history. According to the United States Census Bureau's Current Population Survey (CPS), the median income of black households in 2016 was 60.7% of the median income of white households. The wealth gap is even more staggering: according to the Census Bureau's Survey of Income and Program Participation (SIPP), the median net worth of black households in 2013 equaled only 7% of the median net worth of white households.[2] The US, meanwhile, spends less on social policy and is more unequal both before and after taxes and transfers than the average OECD country. Do racial relations and intergroup inequality play a part in these outcomes? In exploring this question, I use the American case to

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[1]Ascriptive diversity in the United States extends to many other groups, including Native Americans, Hispanics, Asians, and various other immigrant groups from across the world. Nevertheless, for the sake of focus, this chapter centers on the primary divide between whites and blacks, which stands out in its historical depth, salience, and political implications on social policy.

[2]Net worth is defined as the total monetary value of all household assets, from real estate and cars to stocks and interest earning, minus all owed debts.

<center>58</center>

delve deeper into the interconnections between the different components of my argument.

Regional differences between blacks and whites are secondary to class in the US. Blacks have traditionally concentrated in the Southeast, the historic center of slavery. This is illustrated in the left-hand map in Figure 4.1, which shows the population share of blacks by state in 1860, the last census before the abolition of Southern slavery.[3] This regional density, however, was coerced and spread over several states. As such, it did not foster a cohesive and free political community tied to a specific territory. Indeed, recent census data from 2010, shown in the right-hand map, demonstrate that many blacks have moved northward over the next 150 years. Accordingly, as I will show in more detail, racial identities in the US did not develop a strong regional dimension.
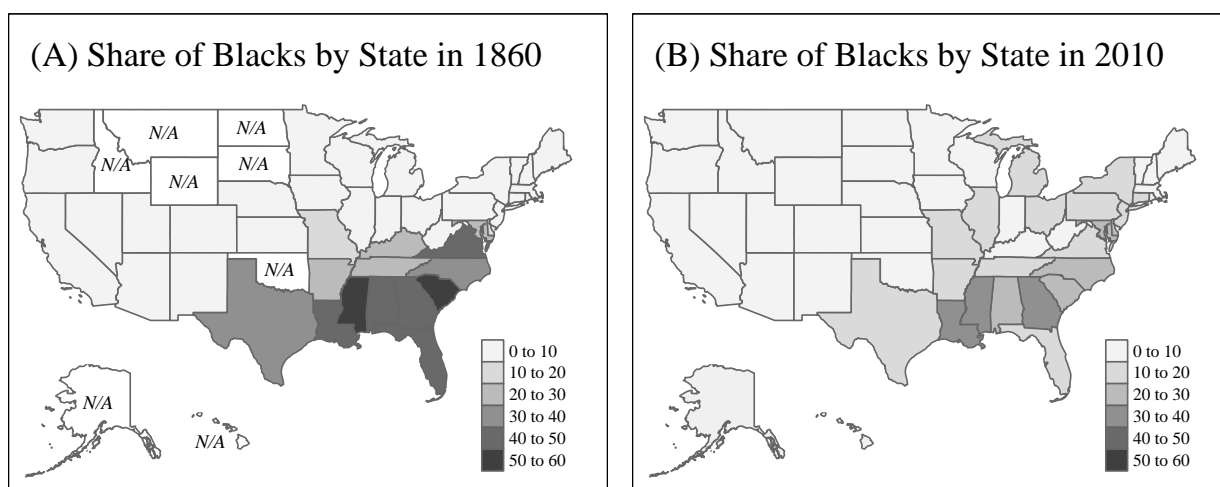
Figure 4.1: Share of Blacks by State, 1860 and 2010

In what follows, I examine (1) the role that socioeconomic inequality plays in US racial relations, (2) how both intergroup inequality and race relations shape redistributive preferences, and (3) how these preferences are manifested in actual welfare policies. Using historical, public opinion, and policy analysis, I find that white prejudice against blacks is strongly tied to the latter's lower socioeconomic class. This prejudice, moreover, is correlated with higher opposition to welfare policies that specifically target the poor. Most whites support welfare programs that benefit their own in-group members—old-age, disability, military service, middle-class tax breaks—but

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[3]For ease of comparison with 2010, the data from 1860 are presented by contemporary state lines rather than 1860 territories.

not ones focused on unemployment and poverty assistance. This duality extends from preferences to de facto welfare policies. The American welfare state has consistently prioritized programs that serve the elderly, disabled, veterans, and middle class while limiting investment and standardization in programs serving the poor. I find several channels by which the federal government has suppressed redistribution to poorer blacks, including low investment in means-tested programs, selective decentralization that differentiates between communities along racial lines, subsidies for private insurance plans, and tax expenditure on the middle and upper classes. The US, therefore, corroborates my theoretical expectations: high intergroup inequality is associated with low intergroup solidarity and a relatively regressive welfare state that underprioritizes the poor and blacks.

4.2   Economic Inequality and Intergroup Relations in the US

Intergroup inequality has been a defining feature of US race relations. I begin, therefore, with a closer look at the historical context of socioeconomic inequality between whites and blacks, and then examine its current implications on interclass solidarity. Theoretically, I expect that intergroup inequality would not only precipitate intergroup tensions but would also fracture solidarity with the poor. Meanwhile, unlike cases with high regional segregation, I do not expect to find meaningful connections between race and regional identification among either blacks or whites.

4.2.1   Historical Context

Racial history in the US is characterized by deep social and political inequalities that extend beyond class. The African-American community grew out of forced slavery that lasted well into the mid-nineteenth century. Slavery was constitutionally abolished in 1865 following the civil war. However, despite a brief and largely failed period of reconstruction, racial oppression soon took a new form in the Jim Crow laws, a set of local legislation in Southern states that codified racial disenfranchisement, discrimination, and segregation (Woodward, 1955; Kousser, 1974). Together with informal practices of violence, harassment, and social sanctions, the Jim Crow regime stymied black integration and protected the old racial hierarchy (Mickey, 2015; Acharya, Blackwell and

Sen, 2018). These laws lasted for over 80 years until their revocation in the 1950s and 1960s by a series of court decisions and civil rights laws. The black community has made notable strides since the civil rights era, but, more than half a century later, its members continue to face softer forms of discrimination and lag behind whites economically, a point that I explore next.

4.2.1.1   Intergroup Income Inequality

Socioeconomic inequality has been a central component of racial oppression since the abolition of slavery. Initial attempts to assist the newly freed slaves during reconstruction were short-lived and ineffective. Indeed, the Freedmen's Bureau, a government agency established in 1865 for this purpose, was unpopular and stripped of funding by 1872 (Williams, 2003). Meanwhile, vague promises offering forty acres and a mule for freed slaves evaporated as prewar land owners re-claimed their old territories. Jim Crow laws, further, legalized discrimination in land ownership, employment, education, and housing (Mickey, 2015; Lindert and Williamson, 2016). Lacking other options, most former slaves made do with sharecropping, low-wage farm jobs, and peddling (Fox, 2010; Bodenhorn, 2015).

Intergroup inequality ran deeper than discriminatory laws in the South, however. Between the 1910s and 1960s, in what became known as the Great Migration, several million blacks relocated to urban centers in the north in search of new jobs. Yet, they faced significant economic barriers there, too. Blacks in northern cities were employed primarily in low-wage industrial jobs with little professional mobility, were excluded from union membership until the 1930s, and were the first to lose their jobs due to automation (Sundstrom, 1994; Brown, 1999). Lacking proper housing, they concentrated in underdeveloped inner-cities ghettos while better-off whites fled to segregated suburbs (Williams, 2003; Nall, 2015).

The civil rights era lowered legal barriers and opened up new opportunities for blacks. Yet, while the racial income gap has narrowed after the 1960s, it is far from closed. This trend is shown in the left-hand panel of Figure 4.2, which plots the estimated wage ratio of blacks to

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whites throughout American history (Lindert and Williamson, 2016).[4] The data find a deep and largely stable income gap from the 1770s to the 1940s, during which the average salary of blacks was less than 50% of a white person's average wage. While the civil rights era brought noteworthy improvement, the racial income ratio stagnated at around 70% since the 1980s. To this day, black poverty and racial inequality are particularly high in old centers of slavery, underscoring the lingering economic legacy of racial oppression (Nunn, 2008; O'Connell, 2012).

Figure 4.2: Income and Wealth Gaps Between Blacks and Whites, 1774–2016

4.2.1.2 An Even Deeper Wealth Gap

Despite the narrowing income gap, the latter obscures a deeper and stabler racial gap in accumulated wealth. Using Census Bureau data from 1991 to 2016, the right-hand panel in Figure 4.2 compares the racial gap in median household income with the racial gap in median household net worth. While the black-to-white income ratio sits stably around 60%,[5] the median black household

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[4]Lindert and Williamson (2016) estimate the earnings of black slaves as the cost of their personal consumption of housing, clothing, food, and so on. When direct data about slave maintenance is missing, they approximate it as the estimated exploitation rate of black labor. For an in-depth explanation of their calculations, see Appendix C in Lindert and Williamson (2016).

[5]Note that the left-hand panel considers income per *worker* and the right-hand panel examines the median income of *households*. This distinction may account for the small estimation difference (70% versus 60%) between the two calculations.

possesses less than 10 cents for every dollar owned by the median white household. This wealth gap, furthermore, has slightly expanded in the past twenty years, down from 10.3% in 1991 to less than 7% in 2013.

Like with wages, the growing wealth gap, too, is rooted in deep and long-standing structural barriers. As early as the reconstruction era, blacks were effectively excluded from the main banks and forced to use a separate banking system with lower capital, poorer investments, and more limited lending capability (Baradaran, 2017). This discrimination became all the more important in the twentieth century, when cheap consumer credit accelerated the growth and wealth accumulation of the white middle class (Shapiro, 2004; Baradaran, 2017). To this day, blacks face stricter mortgage rates and advance payment requirements, forcing many to buy cheaper houses in segregated neighborhoods with worse public schools and higher crime rates. Low net worth, moreover, restricts the ability of black parents to support their children's college tuition, first house purchase, and eventual inheritance (Shapiro, 2004). Hence, the wealth gap buttresses different starting points even as black families earn relatively higher wages.

4.2.2 Implications for Intergroup Relations

How does the deep socioeconomic inequality between whites and blacks affect intergroup solidarity in the US? Much ink has been spilled on the rich history and multiple aspects of American race relations, many of which stretch beyond the scope of my argument. In this section, therefore, I limit my discussion to a narrower set of contemporary implications. First, in line with my theoretical assumptions, I focus primarily on the racial attitudes of whites, the richer and politically dominant group. Second, I focus only on the nexus of race, class, and geographic identification. Finally, I concentrate only on the past few decades.

4.2.2.1 From Overt to Symbolic Racism

Historically, blacks have experienced unconcealed racism from whites. Nevertheless, explicitly racist attitudes have become socially unacceptable since the civil rights era (Kinder and Sears,

1981; Schuman, Steeh and Bobo, 1997; Bonilla-Silva, 2006). In a survey conducted in 1942, 53% of white respondents did not consider blacks to be as intelligent as whites, a classic marker of old racism. By 1956, however, 80% of white respondents concurred that both races are equally intelligent. Between the 1950s and 1990s, there was an equally large growth in the share of whites rejecting discriminatory practices and expressing willingness to engage regularly with blacks. While these changes were stronger among more educated and non-Southern whites, they nonetheless applied across the entire spectrum of white respondents (Schuman, Steeh and Bobo, 1997).

Yet, racial prejudice has not disappeared but taken new forms. An influential body of work finds that many whites substituted old racism with subtler prejudice against the behavior and values of blacks. This so-called Symbolic Racism is characterized by "moral feelings that blacks violate such traditional American values as individualism and self-reliance, work ethic, obedience, and discipline" (Kinder and Sears, 1981, 416). These perceptions often consider the lower socioeconomic status of blacks as proof that they are collectively lazy and irresponsible. Moreover, they undermine white support for various policies designed to improve racial integration (Kinder and Sears, 1981; Kinder and Sanders, 1996; Henry and Sears, 2002; DeSante, 2013).[6]

Surveys from the past few decades illustrate the prevalence of these sentiments. Pooling data from the General Social Study (GSS) from 1990–2016, Figure 4.3 showcases white respondents' evaluations of whites and blacks by several dimensions: (1) intelligent versus unintelligent, (2) committed to strong families versus non-committed, (3) hard-working versus lazy, (4) self-supporting versus living off welfare, and (5) not prone to violence versus violent. Each dimension is scored on a 7-point scale between the two opposing attributes. The darker boxes, which mark the distribution of respondent scores assigned for peer whites, are all skewed positively. On average, then, whites tend to perceive other whites favorably along multiple behavioral dimensions. Blacks, by comparison, are evaluated by whites more negatively in all attributes except intelligence, the foregone marker of overt racism. Only 31.9% of white respondents consider blacks more strongly

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[6]The theoretical and empirical validity of symbolic racism has been debated extensively since the 1980s. For a succinct summary of the argument, criticisms, and compelling responses, see Hutchings and Valentino (2004, 390–393).
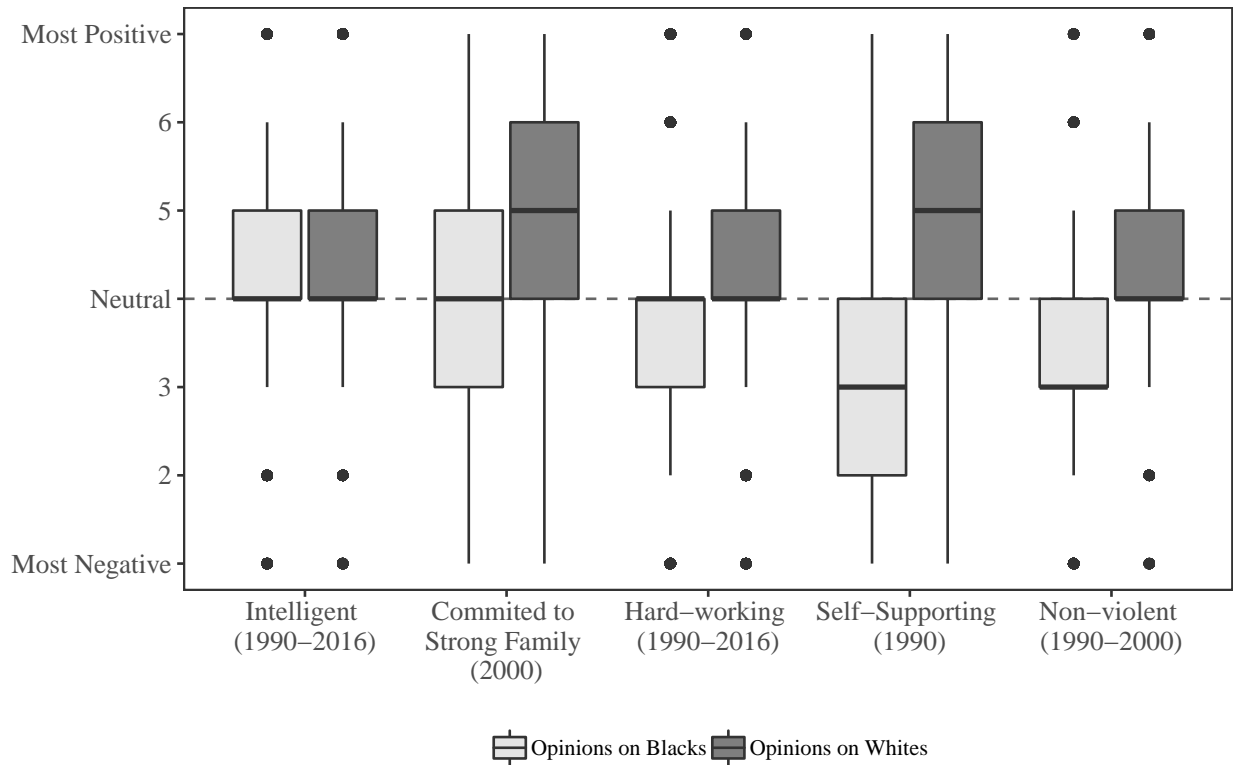
Figure 4.3: *Distribution of Whites' Opinion on Blacks and on Whites*

committed to their families than not, only 17.2% think that they are more hard-working than lazy, only 13.4% consider them more self-supporting than welfare dependent, and only 15.3% consider blacks less prone to violence than violent.

Three of the questions—intelligence, work ethic, and a tendency for violence—repeat in several survey years. Figure 4.4 plots the share of white respondents that evaluated blacks negatively in these dimensions since 1990. While the negative evaluations have declined over time in all three aspects, this trend has largely stagnated since the 2000s. Symbolic racism, it seems, is far from gone, even today (see also Hutchings, 2009; Kinder and Chudy, 2016).

4.2.2.2   Race and Sympathy for the Poor

As we have seen, current forms of racial prejudice deem blacks lazy and irresponsible. Furthermore, a different body of research also finds that whites' racial resentment increases when they sense a greater threat to their socioeconomic and political privilege (Blumer, 1958; Giles and
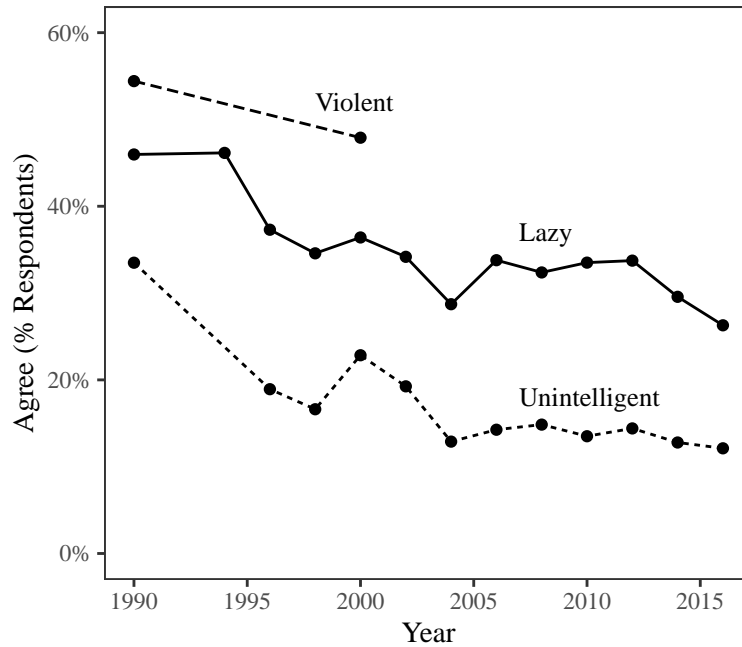
Figure 4.4: *Whites' Opinion of Blacks Over Time, 1990–2016*

Hertz, 1994; Bobo, 1999; Jardina, 2014; Wetts and Willer, 2018). Do intergroup tensions indeed fracture solidarity with the poor?

The answer is positive, although not straightforwardly so. Contrary to popular belief, recent research finds that most Americans, regardless of their income and values of individualism, express sympathy for the poor, criticize the rich, and feel concerned about rising inequality levels (Page and Jacobs, 2009; Piston, 2018).

Sympathy for the poor, however, fades once race is taken into account. Positive attitudes toward the poor depend on whether they seem worthy of help or not. Yet, many whites consider blacks personally responsible for their own socioeconomic woes and thus not worthy of assistance (Kinder and Sanders, 1996; Gilens, 1999). Using survey data from the American National Election Studies (ANES) from 1986–2016, Figure 4.5 summarizes white and black perceptions of the circumstances behind racial disadvantage. The top two panels display the share of respondents who agree that blacks face unfair barriers outside their control. The bottom two panels, by contrast, showcase the share of respondents who think that blacks are personally responsible for their situation and do

not deserve special favors.[7] The data show that a majority or near-majority of whites disagree that blacks face structural injustices and believe that they should pull themselves up by their bootstraps without special help. Most black respondents, expectedly, express the opposite worldview.
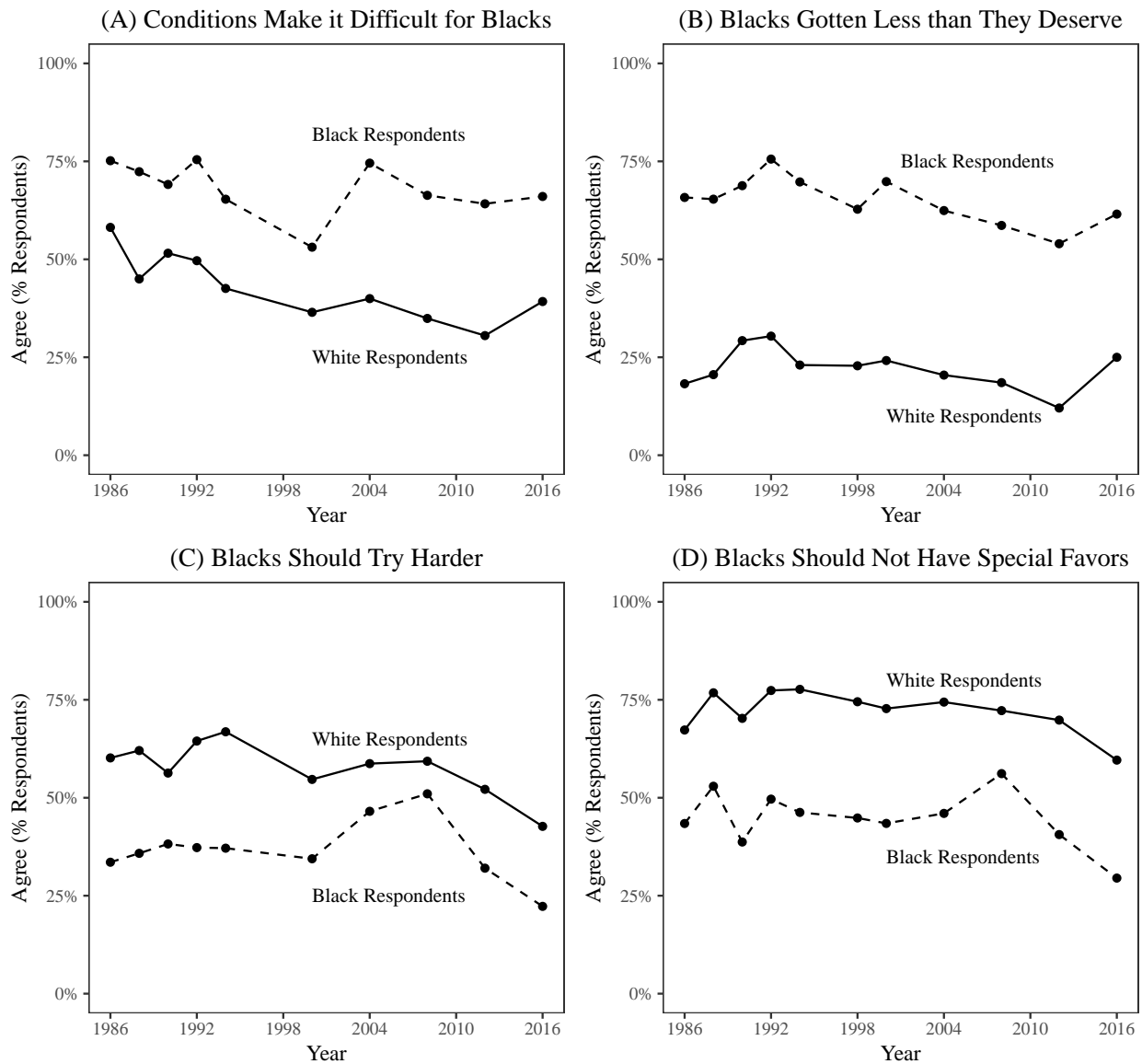
Figure 4.5: Perceptions of the Causes for the Socioeconomic Position of Blacks, 1986–2016

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[7]The full statements, in clockwise order from the top-left panel, are as follows: (1) "Generations of slavery and discrimination have created conditions that make it difficult for blacks to work their way out of the lower class"; (2) "Over the past few years blacks have gotten less than they deserve"; (3) "Irish, Italians, Jewish and many other minorities overcame prejudice and worked their way up. Blacks should do the same without any special favors"; and (4) "It's really a matter of some people not trying hard enough; if blacks would only try harder they could be just as well off as whites". Respondents evaluated all statements using a 5-point scale between "strongly disagree" and "strongly agree". Figure 4.5 sums up the share of white respondents who agree and who strongly agree with each statement.

Importantly, these racial attitudes correlate with lower sympathy for the poor in general. I examine this relationship more closely using an ANES sample of white respondents from 1972–2016. The dependent variable, sympathy for the poor, is measured as a feeling thermometer score toward the poor on a scale of 0 to 100. I use three measures of racial resentment as independent variables. The first two measures are based on the pairs of questions shown earlier in Figure 4.5: first, I measure belief that blacks are held back by structural barriers as the average score of the top two questions; and, second, I measure the belief that blacks are held back by their low work ethic as the average score of the bottom two questions.[8] The third independent variable gauges racial affect more explicitly using a 0–100 feeling thermometer score toward blacks. In all three cases, I control for differences in ideological self-identification (using a 7-point scale of conservatism versus liberalism), age group, gender, education level, church attendance, income bracket, and residence in the South. I also include survey-year fixed effects.

The results, presented in Table 4.1, find a statistically significant correlation between racial resentment and lower sympathy for the poor. All else equal, a switch from strong disagreement that blacks face structural barriers to strong agreement is estimated to raise one's sympathy for the poor by 6.5 points. Similarly, the difference between strong agreement and strong disagreement that blacks should improve their work ethic is worth 5.6 points of sympathy for the poor.

Some researchers suggest that this correlation is spurious. According to this argument, both lower sympathy for the poor and the belief that blacks should try harder reflect a colorblind commitment to an individualistic ideology (Sniderman and Piazza, 1993; Sniderman and Carmines, 1997). This interpretation is problematic, however, for several reasons. First, as model 3 in Table 4.1 shows, sympathy for the poor is also correlated with a straightforward measure of black affect. This finding does not align with the notion of a colorblind concern about work ethic. Second, experimental evidence finds that the mere mention of a black-sounding name decreases white respondents' willingness to assist an otherwise identical poor person (DeSante, 2013). Finally, additional findings show that the media has consistently portrayed negative stories of poverty with

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[8]The division of these four questions to two dimensions is supported by factor analysis with a Kaiser-normalized varimax rotation.

Table 4.1: *Positive Feelings toward the Poor: OLS Regression*

	(1)	(2)	(3)
Structural Barriers	1.624***		
	(0.206)		
Low Black Work Ethic		-1.403***	
		(0.223)	
Black Thermometer Score			0.352***
			(0.009)
Conservatism	-0.781***	-0.814***	-0.530***
	(0.158)	(0.163)	(0.107)
Age Group	1.353***	1.403***	1.113***
	(0.126)	(0.126)	(0.085)
Female	0.039	0.022	-0.000
	(0.031)	(0.031)	(0.015)
Education	-1.794***	-1.908***	-2.071***
	(0.258)	(0.268)	(0.166)
Religiosity	-1.216***	-1.229***	-0.556***
	(0.132)	(0.132)	(0.092)
Income	-0.958***	-1.052***	-0.942***
	(0.205)	(0.206)	(0.138)
South	2.909***	2.773***	2.891***
	(0.444)	(0.444)	(0.310)
Constant	-2.124	41.987	56.253
	(62.502)	(62.360)	(29.054)
Survey Year Fixed Effects	Yes	Yes	Yes
Observations	10,807	10,814	17,896
R^2	0.080	0.077	0.205

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Robust Standard errors in parentheses

images of blacks, reinforcing the association between blacks and unworthy poverty (Gilens, 1999). Hence, the direct connection between racial prejudice and lower solidarity with the poor seems quite strong.

4.2.2.3 Race and Regional Identities?

Before turning to the redistributive implications of these attitudes, I conclude this section by examining whether the racial divide reinforces regional identification. That this is not the case is demonstrated with survey data on regional identification from waves 3 and 4 (1994–1998 and

1999–2004) of the World Values Survey (WVS). Examining the sample of American respondents, Table 4.2 summarizes the distribution of answers to the same question analyzed in Chapter 3: "To which of these geographical groups would you say you belong first of all?" Although American racial history is rooted in the South, the data show that neither whites nor blacks identify primarily with their region or state.[9] Instead, a majority of both groups identify either with their local community or with the country as a whole.

Table 4.2: Geographical Identification by Unit, 1994 and 1999

	Total	Whites	Blacks	Other Races
Locality or Town	31.4%	31.6%	34.6%	24.5%
State or Region of Country	9.9%	9.8%	10.0%	11.0%
The US as a Whole	38.2%	40.1%	30.4%	32.9%
North America	2.8%	2.6%	3.4%	4.2%
The World as a Whole	17.7%	16.0%	21.6%	27.5%
Observations	2,659	2,048	359	252

These sentiments place the US behind most other OECD countries. Using American respondents as the baseline in a cross-sectional sample, Figure 4.6 plots country coefficients from a logistic regression estimating the probability of identifying with one's region/state as opposed to other options. Similar to my analysis in Chapter 3, the regression also controls for age group, gender, education level, church attendance, income bracket, and WVS wave. All else equal, American respondents are less likely to identify with their region or state than all but three other OECD countries. Regional identification, then, is not a significant aspect of most Americans' identities.

4.3 Intergroup Relations and Redistribution

Thus far, the discussion has established that the deep and structural inequalities between whites and blacks play a central part in shaping racial prejudice and in fracturing solidarity with the poor. The next question is whether and how they connect to redistributive preferences and outcomes. To examine this question, I begin with a brief historical overview of the American welfare state and its racial aspects, and then consider the current preferences of white Americans regarding

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[9]These shares remain the same among residents of the South.
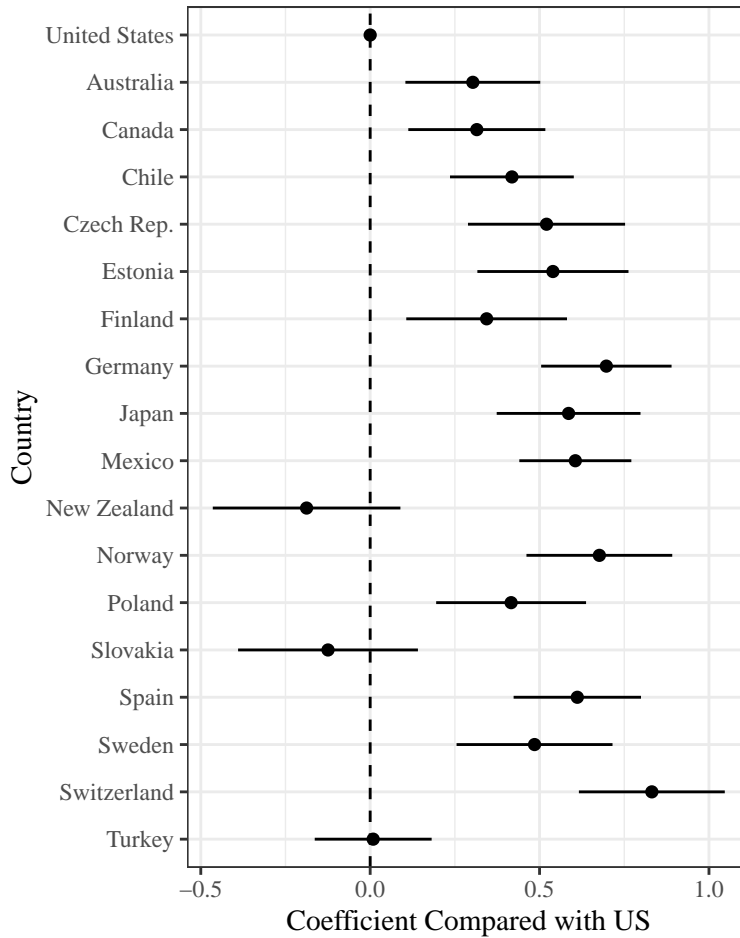
Figure 4.6: *Regional Identification: Country Coefficients from Logistic Regression*

these policies. I conclude this section with a summary of the various policy tools that constrain redistribution to blacks in particular.

4.3.1 Race and Welfare Institutions in the US: Historical Context

The structure and history of the American welfare state are quite complex and tortuous ,and, as such, warrant some simplification. In what follows, I summarize the development of the system's main components by three broad periods: The New Deal (1930s–1950s), the Great Society (1960s–1970s), and a defensive period of partial retrenchment, tax cuts, and expanding racial spillover (1970s to today).

4.3.1.1 The New Deal and Establishment of Social Security

The American welfare state is often described as a laggard compared to its European counterparts. Indeed, welfare policy was local and patchy as late as the mid–1930s. Only two national programs predated the 1930s: pensions for civil war veterans, which started in the 1860s and covered 28% of male adults by 1910; and, starting in 1911, federal subsidies for state-provided benefits for needy mothers (Skocpol, 1992). Other social policies before the 1930s were neither broad nor federally supported. By the 1920s, for example, most states offered workers' compensation and a small handful of states granted old-age pensions, but neither involved the federal government (Skocpol, 1992; Fox, 2010).

Both the civil war and mothers pensions eventually phased out. The current American welfare system, instead, is rooted in the New Deal legislation from the 1930s. Facing the fallout of the Great Depression, Congress established a federal social security fund in 1935 based on mandatory payroll contributions. The new social security system funded three core programs: (1) old-age pensions, (2) unemployment benefits, and (3) social assistance that included Aid to Dependent Children (ADC, later AFDC), assistance for needy elderly, and other small aid programs. In coming years, social security also added survivor benefits (1939) and disability insurance (1956).

Several other national programs were established outside the social security system, including housing subsidies for the poor (1937 and 1949) and, more notably, the GI Bill (1944). The latter awarded extensive benefits for World War II veterans, including college tuition and financial support, vocational training, temporary unemployment benefits, housing assistance, and low-interest loans (Campbell, 2004; Mettler, 2005). In addition, between the 1930s and 1950s, the federal government expanded tax exemptions for private retirement and healthcare plans provided by employers (Stevens, 1988; Hacker, 2002).

These core programs varied, and still do, in their level of federal standardization (Finegold, 2005). Indeed, the initial structure of social security stemmed from a compromise between Southern Democrats, who sought local control over redistribution to protect existing racial hierarchies and cheap labor supply, and progressives and labor unions, who wanted broad federal benefits

(Amenta and Skocpol, 1988; Quadagno, 1994; Davies and Derthick, 1997; Lieberman, 1998). The result has been a two-tiered system. The first tier is fully funded and uniformly managed by the federal government, and includes such programs as old-age, disability, and veteran benefits. The second tier is funded by federal subsidies, but is co-funded and managed by the states, including bigger freedom to set eligibility criteria and benefit levels. This tier includes unemployment benefits, which all states must provide, and most social assistance benefits, in which state participation is typically voluntary.

While not overtly racist, this differential structure facilitated racial exclusion in two indirect ways. First, it enabled discriminatory criteria at the state level, particularly in Southern states. For instance, many states denied ADC benefits from black mothers for being unmarried or through an opaque requirement for a morally "suitable home" (Neubeck and Cazenave, 2001; Ward, 2005). Similarly, aid for the needy elderly was lower for blacks and, in Southern states that relied on cheap laborers, was suspended during cotton picking season (Quadagno, 1988; Brown, 1999; Williams, 2003).

Second, the welfare system reproduced broader practices of racial discrimination in employment and housing. For example, both old-age and unemployment insurance did not cover agricultural and domestic workers, who were disproportionally black (Quadagno, 1994; Lieberman, 1998; Brown, 1999; Katznelson, 2005). Indeed, in 1940, 48.1% of black men and 79.3% of black women were not insured by social security due to their occupations, compared with only 29.7% of white men and 26.5% of white women (Williams, 2003, 81). Similarly, tax subsidies for private pensions and health insurance favored middle-class professions from which blacks were largely excluded. Housing assistance, too, systematically favored segregative projects, denied funding for riskier neighborhoods, and prioritized middle-class recipients. By 1960, merely 2% of home buyers using this program were black (Williams, 2003, 79). Finally, while some see the GI Bill as color blind and inclusive (Mettler, 2005), others argue that it replicated racial discrimination in military enlistment and, when claiming benefits, in college admissions and housing markets (Brown, 1999;

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Williams, 2003; Katznelson, 2005).[10]

Thus, the welfare system that emerged from the New Deal largely prioritized the interests of Southern states and the white middle class at the expense of more inclusive redistribution. This status quo remained quite stable until the changes brought about by the Civil Rights era.

4.3.1.2 The Great Society and War On Poverty

By the early 1960s, the New Deal coalition of Northern and Southern Democrats was eclipsed by a new progressive alliance of civil rights activists, liberal organizations, and labor unions (Schickler, 2016). Furthermore, the Great Migration of blacks to Northern cities expanded the geographic scope and national awareness of racial poverty (Skocpol, 1988; Brown, 1999; Williams, 2003). Against this background, and with the election of a historically liberal Congress in 1964, the Johnson administration embarked on its Great Society project, a set of ambitious reforms addressing civil rights, racial inequality, and poverty.

These efforts made two structural changes to the welfare state. First, under the banner of the War on Poverty, several new programs expanded assistance for the poor. This legislation included vocational training, food stamps, public housing programs, and elimination of racial barriers in existing programs such as the ADC (now AFDC). Indeed, the share of black mothers receiving AFDC benefits grew from 19.9% in 1942 to 45.2% in 1969 (Williams, 2003, 141). The Nixon administration broadened these programs further in the early 1970s, expanding the food stamps program and establishing the Supplemental Security Income (SSI) program to support needy elderly, disabled, and blind recipients.

Second, Congress established two seminal public healthcare programs for the elderly (Medicare) and for the poor (Medicaid). The two programs followed the old two-tier system: whereas Medicare was managed by the federal government like other old-age services, Medicaid was federally subsidized but managed by the states subject to basic federal requirements. Furthermore, contrary to Medicare, state participation in Medicaid was voluntary. Whereas Medicare and Med-

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[10]See Katznelson and Mettler (2008) for a direct discussion between these opposing perspectives. A similar disagreement rises with regard to the inclusiveness of the earlier civil war pensions (see Skocpol, 1992; Williams, 2003).

icaid focused on the elderly and poor, working-age citizens received additional tax breaks for employer-sponsored healthcare plans in the private market (Hacker, 2002).

Overall, the changes made in the 1960s and early 1970s successfully reduced unemployment and poverty among blacks (Brown, 1999; Williams, 2003). Yet, by narrowly focusing on black poverty, they augmented two long-term racial problems. First, the reforms did not address deeper structural inequalities. Thus, the continued racial discrimination in employment and real estate limited the effectiveness of professional training and housing subsidies (Weir, 1992; Quadagno, 1994; Brown, 1999). Similarly, tax breaks for private insurance primarily benefited the white middle class and neglected lower-level workers (Hacker, 2002). The result was shown earlier: the income gap did narrow at first but then stagnated.

Second, the distinct emphasis on black poverty created a backlash effect among many whites. Since the 1960s, poverty assistance was increasingly associated with undeserving black dependency (Orfield, 1988; Gilens, 1999; Hancock, 2004; Ward, 2005). Thus, the Great Society's anti-poverty programs soon drew heavier public criticism compared to other types of benefits, especially at the onset of the 1980s.

4.3.1.3   After the 1970s: Cutbacks, Tax Breaks, and Expanding Racial Spillover

Despite Nixon's expansion of social assistance in the early 1970s, the economic crises and emboldened conservative agenda of the mid–1970s and 1980s put new pressures on the welfare state. Whereas old-age pensions and Medicare proved too popular to reform (Pierson, 1996), the Reagan administration successfully cut back on several social assistance programs—AFDC, public housing, food stamps, vocational training—not least by taking advantage of their racial stigmas (Skocpol, 1988; Slessarev, 1988; Williams, 2003; Hancock, 2004). In 1996, the Republican Congress, together with a reluctant President Clinton, replaced the AFDC program with the more restrictive Temporary Assistance for Needy Families (TANF) plan. The latter added harsher time limits and stricter work requirements at the federal level and granted states greater control over benefit rates, eligibility criteria, and sanctions. The new law, moreover, was partly funded by cuts

to food stamps and Supplemental Security Income.

The reform had a clear racial undertone. By using a rhetoric that emphasized a Culture of Poverty and stricter policing of irresponsible recipients, it invoked prevalent racial stereotypes and hinted at the broader war against black violence in inner cities (Williams, 2003; Soss, Fording and Schram, 2011). Indeed, after the reform, states with a higher share of black recipients imposed stricter limitations and provided lower benefits than states with a higher share of white recipients (Soss et al., 2001; Johnson, 2003; Fellowes and Rowe, 2004).

Direct retrenchment had its limits, however, as other programs proved popular and politically difficult to cut back. In this period, therefore, the tax system was used more frequently as an alternative channel for redistributive changes (Hacker, 2004). Indeed, tax code modifications have traditionally faced fewer political obstacles and have attracted less public attention than public welfare reforms (Howard, 1997; Bartels, 2005). Since the 1970s, Congress and the government continuously expanded tax credits for the middle and higher classes, subsidizing breaks for private insurance plans, mortgages, and child care. With the increasing political influence of big money, the more recent tax cuts passed by Republicans in 2001, 2003, and 2017 favored the rich more overtly (Hacker and Pierson, 2005; Gilens, 2012; Faricy, 2016).

The final historical development worth mentioning is the Patient Protection and Affordable Care Act, better known as Obamacare, which passed in 2010 after several failed attempts to expand public health coverage. Obamacare expanded Medicare, tightened regulation on private insurers, provided means-tested subsidies for certified private plans, and taxed uninsured individuals. According to Census Bureau data, the share of uninsured people indeed dropped from 16.3% in 2010 to 8.8% in 2016.

Despite its achievements, Obamacare did not change the healthcare system's reliance on a medley of private insurers, Medicaid, and Medicare, nor did it explicitly target racial inequalities. Yet, it has been highly contested, not least by racial lines. As such, it sheds light on the expansion of racial spillover to new areas of public policies. Whereas anti-poverty programs activated racial tensions due to images of black recipients, Obamacare did so because of its titular association

with a black president. Indeed, recent research finds that racially resentful whites increased their opposition to public healthcare immediately after Obama's election. The mere mention of Obama's name, furthermore, increased their disapproval of plans that they were otherwise willing to accept (Tesler, 2012). The racialization of an ever-expanding set of public policies has been particularly prevalent in welfare and economic policymaking (Tesler, 2015; Kinder and Chudy, 2016). More generally, it is part of an increasingly polarized age in American politics, during which racial, social, and cultural identities are merged into two grand partisan camps (Mason, 2018). This trend will undoubtedly play a larger role in future developments to the American welfare state.

4.3.2 Redistributive Preferences: Differential Support

The history of the American welfare state, then, has consistently underprioritized the interests of the lower class. How well do these trends reflect American public opinion, particularly among the politically dominant white group? Theoretically, I expect differential preferences along racial lines: most whites should support programs that benefit the middle and higher classes and oppose programs that focus on the poor, primarily blacks, and vice versa. My findings support these expectations.

4.3.2.1 Support for Redistribution in General and by Program Type

Several recent studies argue that Americans are more supportive of redistributive policy than some may think: a majority of Americans support a more equal distribution of income and wealth and want the government to play a more active part in these efforts (Page and Jacobs, 2009; Piston, 2018). Indeed, 51% of respondents in the 2016 GSS survey agree that the government ought to reduce income differences between rich and poor.[11] Moreover, most Americans express greater support for redistribution when they are assured that it helps the poor and taxes the rich (Faricy and Ellis, 2014; Piston, 2018).

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[11]The level of agreement with this statement was measured using a 7-point scale ranging from "the government ought to reduce the income differences between rich and poor" to "the government should not concern itself with reducing income differences". For ease of presentation, I collapse this scale to a 3-point range of positive, neutral, and negative answers.

Yet, this support is more elusive than it seems. First, general attitudes on redistribution vary notably by race. Using GSS data from 1978–2016, Figure 4.7 shows that while a large majority of blacks support government action to reduce income inequality, whites are evenly divided on this question.
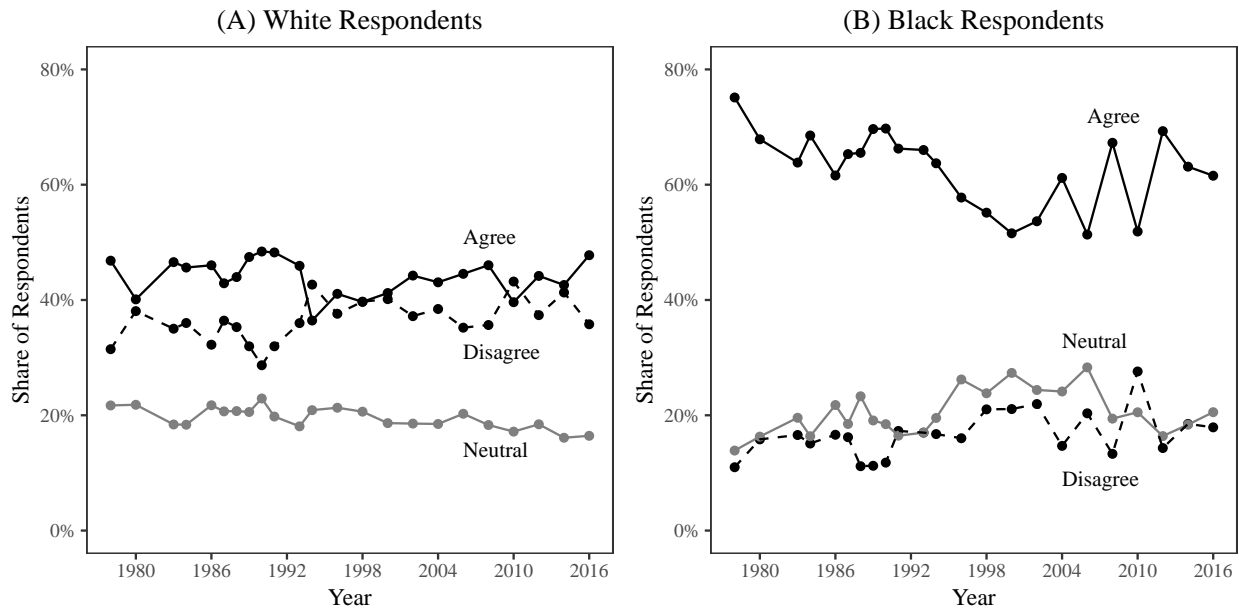
Figure 4.7: *Support for Income Redistribution by Race, 1978–2016*

Second, while some researchers of American politics consider these numbers a positive surprise, they nevertheless lag behind other developed democracies. A cross-sectional survey from 2006, conducted as part of the International Social Survey Programme (ISSP), asks a similar question about the government's responsibility to narrow income differences between rich and poor.[12] The left-most panel in Figure 4.8 displays country coefficients from a cross-sectional OLS regression estimating answers to this question. The regression controls for individual-level differences in age group, gender, education level, church attendance, and full employment. On average, all else equal, Americans show significantly lower support for redistribution than almost all other countries.

Finally, support for redistributive policies, especially among whites, varies by type of program. Past research finds wider support for programs that serve the elderly and invest in human capi-

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[12]Unlike the GSS, the ISSP uses a 4-point rather than a 7-point scale of agreement.
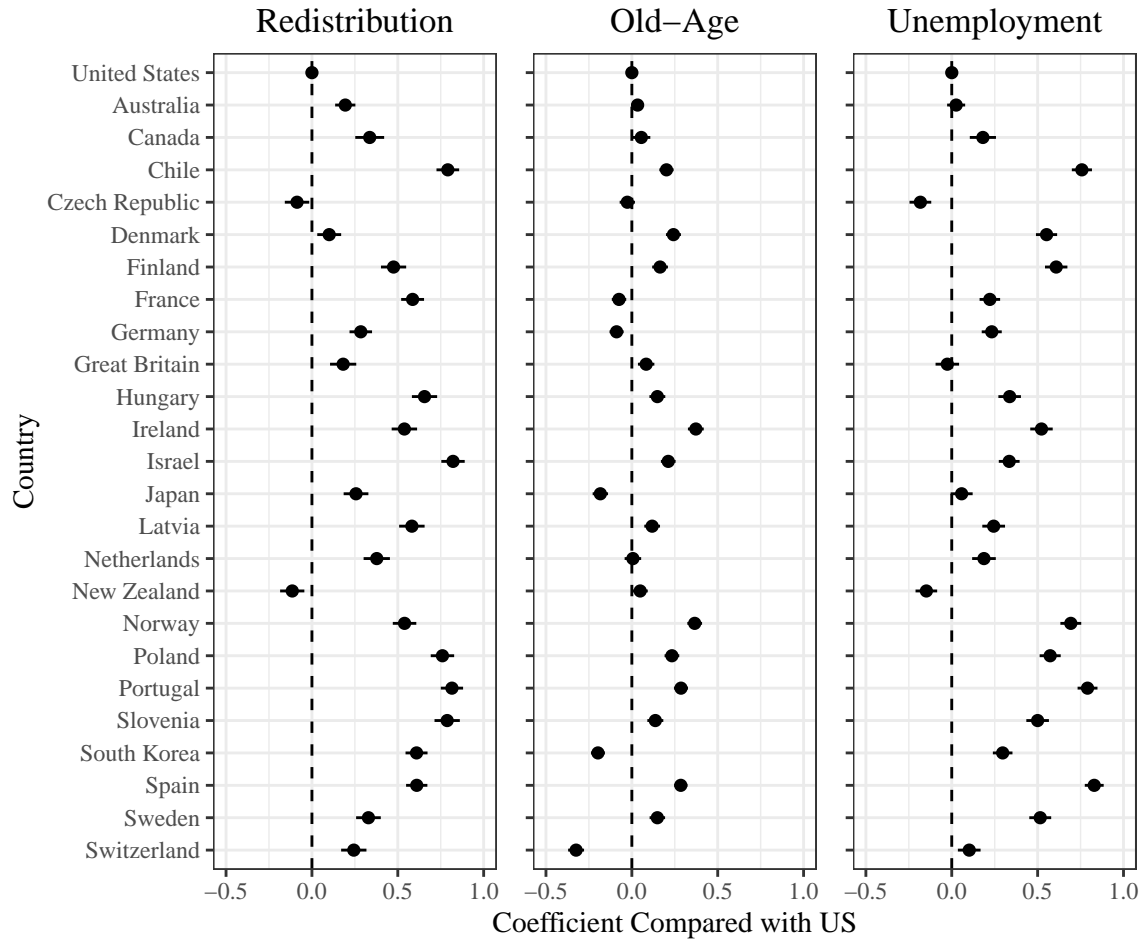
Figure 4.8: *Support for Redistribution by Type: Country Coefficients from OLS Regressions*

tal (e.g., education and professional training) and stronger opposition to programs that assist the poor and blacks (Gilens, 1999; Winter, 2006; Page and Jacobs, 2009; Kinder and Kam, 2010). More recent survey data corroborate this pattern. Table 4.3 compares the share of white and blacks respondents who support increased or decreased government spending on multiple welfare programs.[13] White respondents' answers indeed differ by category: the majority of white respondents support more spending on the elderly and on veterans, but are divided on, and at times express stronger opposition to, spending on unemployment and on social assistance. Notably, their support is lowest for "welfare", a strongly racialized term (Gilens, 1999), and for assistance for blacks.

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[13]Colloquially, most Americans equate "Social Security" with old-age, survivors, and disability pensions, and "Welfare" with anti-poverty benefits (e.g., Clinton's 1996 "Welfare Reform" in AFDC/TANF). I categorize these programs accordingly, in line with previous research. For ease of presentation, I omit neutral answers supporting no change for current spending levels.

By contrast, despite reluctance about a couple of specific programs, most black respondents want higher spending across all categories.

Table 4.3: *Preference to Increase/Decrease Government Spending on Welfare Programs by Race*

	White Respondents			Blacks Respondents		
	Increase	Decrease	Diff.	Increase	Decrease	Diff.
Old-Age						
Social security[a]	62.5%	3.7%	*58.8*	80.7%	3.2%	*77.5*
Medicare[c]	58.3%	36.1%	*22.2*	57.6%	34.7%	*22.9*
Veterans						
Veteran benefits[d]	76.9%	2.8%	*74.1*	83.3%	2.4%	*80.9*
Healthcare for veterans[c]	78.9%	18.2%	*60.7*	73.9%	24.3%	*49.6*
Unemployment						
Unemployment benefits[b]	24.7%	25.1%	*-0.4*	53.2%	13.2%	*40.0*
Social Assistance						
Aid to the poor[a]	37.4%	18.9%	*18.5*	68.1%	25%	*43.1*
Welfare[a]	15.6%	51.3%	*-35.7*	32.5%	25.8%	*6.7*
Food stamps[e]	34.2%	25.2%	*9.0*	39.8%	40.3%	*-0.5*
Healthcare for poor children[c]	48.7%	43.9%	*4.8*	68.8%	27.3%	*41.5*
Housing assistance for the poor[e]	31.1%	28.5%	*2.6*	54%	23%	*31.0*
Medicaid[c]	37.4%	48.9%	*-11.5*	44.6%	53%	*-8.4*
Assistance for blacks[a]	11.5%	28.3%	*-16.8*	52.2%	4.7%	*47.5*
Healthcare (General)						
Healthcare[d]	46.1%	22.1%	*24*	81.9%	7.7%	*74.2*

[a] ANES, 2016
[b] GSS, 2016
[c] Kaiser Family Foundation, Health Tracking Poll, April 2017
[d] Pew Research Center, Political Survey, April 2017
[e] CNN/ORC Poll, March 2011

A similar pattern is found in Table 4.4, which shows white and black support for tax breaks and for stricter eligibility criteria for social assistance programs. While white support for tax breaks is categorically higher than for spending on unemployment or social assistance, they nevertheless favor tax breaks targeting the middle class (private healthcare and college tuition) more than for low wage earners. A large majority of whites also endorse stricter eligibility requirements for social assistance. Blacks, by contrast, favor all types of tax breaks and are split on tougher eligibility

criteria.

Table 4.4: *Support/Opposition to Tax Breaks and Eligibility Requirements by Race*

	White Respondents			Blacks Respondents		
	Support	Oppose	Diff.	Support	Oppose	Diff.
Tax Breaks						
Tax breaks for healthcare[a]	70.9%	7.6%	*63.3*	69.4%	9.2%	*60.2*
Tax breaks for student loans[a]	58%	14.8%	*43.2*	64.5%	18%	*46.5*
Tax breaks for low-income[a]	46.3%	26%	*20.3*	60.4%	11.2%	*49.2*
Eligibility Criteria						
Medicaid - work requirement[b]	76.7%	23.3%	*53.4*	52.2%	47.8%	*4.4*
Medicaid - drug tests[b]	69.1%	30.9%	*38.2*	44.2%	55.8%	*-11.6*
Food stamps - drug tests[c]	74.1%	25.9%	*48.2*	47.8%	52.2%	*-4.4*

[a] Cooperative Congressional Election Study (CCES), 2014
[b] Kaiser Family Foundation, Health Tracking Poll, June 2017
[c] United Technologies/National Journal, Congressional Connection Poll, December 2013

Where does this place Americans comparatively? Using the same ISSP survey as before, the two remaining panels in Figure 4.8 estimate country differences in support for two specific types of redistribution: government responsibility to provide (1) a decent standard of living for the old, and (2) a decent standard of living for the unemployed. Agreement with both statements range on a 4-point scale between "definitely should not be responsible" and "definitely should be responsible". Two insights stand out. First, all else equal, Americans express comparatively low support for both types of redistribution. This finding implies that the gap compared to other countries is not limited to specific parts of the welfare state. But, second, this gap is smaller on average for old-age programs than it is for unemployment benefits. The differential preferences of Americans on redistribution, then, holds from a comparative perspective too.

4.3.2.2   The Role of Race

Most Americans, and whites in particular, prefer welfare policies that benefit the middle and higher classes more than they support social assistance for the poor. Do these differential preferences correlate with racial attitudes? Multiple studies find that negative perceptions of blacks indeed predict stronger opposition to redistribution, particularly when targeting poverty and blacks

(Peffley, Hurwitz and Sniderman, 1997; Gilens, 1999; Luttmer, 2001; Alesina and Glaeser, 2004; Piston, 2018). Additional experimental evidence verifies the causal direction from racial prejudice to welfare preferences: as noted earlier, whites express stronger opposition to otherwise identical welfare policies if black recipients are mentioned explicitly (Gilens, 1996; Kinder and Sanders, 1996; Avery and Peffley, 2003; DeSante, 2013) and if they are cued about the demographic threat to the white majority (Wetts and Willer, 2018).

In addition to a negative out-group threat, redistributive preferences are also driven by a positive in-group solidarity. Whereas white racial resentment predicts opposition to anti-poverty policies, stronger white identification corresponds with higher support for old-age pensions and for Medicare (Winter, 2006; Kinder and Kam, 2010; Jardina, 2014). Similarly, blacks with a stronger racial identity express higher support for policies that benefit blacks (Kinder and Kam, 2010).

To examine this relationship systematically across different types of policies, I replicate, with minor changes, the multivariate regression model estimated by Gilens (1999, Ch. 4).[14] Gilens argues that perceptions of blacks as lazy increase white opposition to anti-poverty policies. As the outcome of interest, he focuses on support for government spending on "welfare", i.e., on poor families. I broaden the estimation to multiple policy areas with updated data. Using Cooperative Congressional Election Study (CCES) data from 2014, I examine whether white respondents think that the government spends too much, about the right amount, or too little on (1) assistance for the elderly, (2) making college affordable, (3) improving public healthcare, (4) assistance for the unemployed, and (5) aid for the poor. I also examine the level of support for three types of tax breaks: (6) tax breaks for employer-provided healthcare plans, (7) tax breaks for parents who pay for their children's college tuition, and (8) tax breaks for low-income earners. I limit the sample to white respondents only, the richer and politically dominant identity group.[15]

Like Gilens (1999), my primary explanatory variable is perceptions of blacks' work ethic.

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[14]My model makes several small differences compared to Gilens (1999). First, due to data limitations, I cannot control for marital status and family income, although Gilens' results show that these factors should not have a large effect. Second, there are minor differences in the operationalization of some explanatory variables, although they follow Gilens' theoretical concepts (compare my operationalization with Gilens, 1999, 223–224). Finally, as I explain below, I add a measure of the perceived work ethic of whites that Gilens does not consider.

[15]I am grateful to Spencer Piston for providing access to the data.

Specifically, I use a question that asks respondents to rank blacks on a 7-point scale between "hardworking" and "lazy". Expanding the original model, I also include a similar question on the work ethic of whites to gauge in-group favorability.

The model controls for several other ideological and demographic factors. Individualistic beliefs are measured by a question asking whether "In the long run, hard work usually brings a better life" or "Hard work doesn't generally bring success—it's more a matter of luck and connections". Perceptions of the poor's deservingness are measured with a question asking whether the poor "have a lot more money than they deserve" or "a lot less money than they deserve" on a 7-point scale. Ideological and partisan identities are measured by respondents' self-placement on 7-point scales of conservatism versus liberalism and Republican versus Democrat. Finally, I also control for age group, gender, education level, employment status, and residence in the South.

The results, presented in tables 4.5 and 4.6, fit the broader patterns presented in Chapter 3. According to Table 4.5, whites who perceive blacks as lazy tend to express stronger opposition to spending on unemployment benefits, aid for the poor, and public health services. However, racial prejudice does not undermine support for spending on the elderly and on college students, both include a high share of whites. A similar finding appears with regard to tax breaks, as shown in Table 4.6. All else equal, negative perception of blacks' work ethic correlates with stronger opposition for low-income tax breaks but does not erode support for private healthcare and college tuition, two benefits that serve the middle class. The latter two policies, moreover, are more strongly supported by white respondents who appreciate the work ethic of other whites, implying stronger in-group solidarity.

4.3.3 Differential Redistribution: Class as Proxy for Race

As I hypothesized, then, both public opinion and welfare policy in the US have favored the redistributive interests of the middle and upper classes and have underprioritized the needs of the poor, especially blacks. While these trends have been relatively stable throughout American history, the policies themselves have gradually changed. In particular, as overt forms of racial

Table 4.5: *Support for More Federal Spending on Different Needs: OLS Regressions*

	(1) Old-Age	(2) College	(3) Healthcare	(4) Unemployment	(5) Poverty
Black Laziness	0.005	-0.006	-0.059*	-0.072*	-0.089**
	(0.024)	(0.029)	(0.029)	(0.028)	(0.028)
White Laziness	-0.026	-0.023	0.026	0.010	0.037
	(0.026)	(0.029)	(0.029)	(0.028)	(0.030)
Individualism	-0.177**	-0.012	-0.017	-0.233**	0.012
	(0.059)	(0.077)	(0.080)	(0.082)	(0.090)
Poor Deservingness	0.085***	0.127***	0.151***	0.152***	0.214***
	(0.023)	(0.026)	(0.029)	(0.032)	(0.037)
Conservatism	-0.005	-0.089**	-0.097***	-0.105***	-0.095***
	(0.022)	(0.028)	(0.026)	(0.029)	(0.027)
Republican	-0.004	0.012	-0.016	0.007	-0.054*
	(0.017)	(0.019)	(0.020)	(0.021)	(0.022)
Age Group	0.041*	-0.082***	0.029	-0.017	-0.023
	(0.017)	(0.022)	(0.027)	(0.022)	(0.025)
Female	0.184**	0.135*	0.104	0.068	0.132
	(0.056)	(0.068)	(0.072)	(0.072)	(0.077)
Education	-0.070***	-0.009	-0.063*	-0.076**	-0.061*
	(0.019)	(0.026)	(0.025)	(0.023)	(0.024)
South	0.043	-0.133	-0.162*	-0.058	-0.145
	(0.060)	(0.081)	(0.076)	(0.075)	(0.074)
Full Employment	-0.025	-0.058	0.026	-0.063	-0.045
	(0.061)	(0.077)	(0.080)	(0.074)	(0.080)
Constant	2.145***	2.444***	2.159***	2.370***	1.981***
	(0.241)	(0.281)	(0.321)	(0.292)	(0.380)
Observations	637	641	639	640	642
R^2	0.184	0.201	0.279	0.290	0.391

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Robust Standard errors in parentheses

exclusion became unacceptable, the system adjusted the ways by which it depresses redistribution for poorer blacks. In these changes, alternative social categories, not least class, have been a primary tool to differentiate recipients along racial lines.

The first form of differentiation is by levels of government investment. Using data from 2016, Table 4.7 breaks down the annual federal spending, level of administration, and shares of white and black recipients by key welfare programs.[16] According to Census Bureau estimations, the

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[16] Spending data is from the Office of Management and Budget. The share of recipients by race is calculated using

	(1) Private Healthcare	(2) College Costs	(3) Low Wage
Black Laziness	-0.024	0.075	-0.118*
	(0.039)	(0.041)	(0.054)
White Laziness	-0.104*	-0.155***	0.008
	(0.046)	(0.043)	(0.053)
Individualism	-0.206	0.292*	-0.289
	(0.128)	(0.145)	(0.152)
Poor Deservingness	0.028	0.170***	0.274***
	(0.045)	(0.044)	(0.052)
Conservatism	0.000	0.032	-0.081
	(0.048)	(0.048)	(0.057)
Republican	0.021	-0.000	-0.087
	(0.037)	(0.037)	(0.045)
Age Group	0.036	-0.101*	-0.036
	(0.039)	(0.039)	(0.041)
Female	-0.035	-0.061	0.001
	(0.109)	(0.119)	(0.112)
Education	0.068*	0.038	-0.052
	(0.034)	(0.043)	(0.042)
South	0.150	0.101	0.061
	(0.107)	(0.133)	(0.126)
Full Employment	0.209	-0.211	0.037
	(0.119)	(0.137)	(0.130)
Constant	3.915***	2.941***	3.432***
	(0.482)	(0.538)	(0.589)
Observations	640	630	636
R^2	0.065	0.079	0.291

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Robust Standard errors in parentheses.

share of Blacks in the general population in 2016 was 12.7% and the share of whites 72.6%. Using this reference, we can see that whites are overrepresented in three of the largest four programs: social security (old-age, survivors, and disability), Medicare, and veteran benefits. Moreover, federal spending on social security and Medicare, the only two programs in which blacks are underrepresented, is more than double the amount spent on all other programs combined. By

data from the Census Bureau's Current Population Survey, with the exception of Food Stamps (data from the United States Department of Agriculture) and Children's Health Insurance Program (data from the Center for Children and Families at the Georgetown University Health Policy Institute).

contrast, blacks are overrepresented in all means-tested programs, which receive relatively low federal funding and are almost always administered by the states, a point that I expand upon next.[17] The federal government, then, invests more financial and administrative resources in programs that serve disproportionately white beneficiaries.

Table 4.7: *Primary Welfare Programs by Key Attributes, 2016*

Program	Federal Spending (USD Million)	Administration Level	% Whites	% Blacks
Old-age, survivors, disability	910,282	Federal	83.8%	10.7%
Medicare	588,361	Federal	83.2%	10.7%
Medicaid	368,280	State	68.3%	19.8%
Veterans Benefits	106,211	Federal	81.4%	13.2%
Food Stamps	95,797	State	31.7%	24.2%
Supplemental Security Income	56,557	Federal	64.7%	25.3%
Unemployment Compensation	32,175	State	78.9%	13.6%
Public Assistance	23,063	State	62.4%	28.0%
Children's Health Insurance	14,305	State	33.0%	20.0%

Table 4.7 highlights a second form of differentiation: devolving program administration to the states. As the table shows, while the federal government manages uniform benefits for the elderly, disabled, and veterans, almost all other programs are managed by the states. As noted earlier, state control over benefits and eligibility criteria was originally set by Southern legislators seeking to limit redistribution to black families and cheap black laborers. Geographic differentiation allows local politicians to tailor specific rules for different communities by their racial composition (Mettler, 2000; Schram, Fording and Soss, 2008). Contrary to federally administered programs, state-managed benefits and coverage rates have been consistently lower in communities with higher shares of black recipients and racial tensions (Orr, 1976; Soss et al., 2001; Johnson, 2003; Fellowes and Rowe, 2004).

A recent example from Michigan demonstrates how such geographic differentiation can take place. In 2018, Michigan state legislators drafted a proposal to impose harsher work requirements on Medicaid recipients, with an exception for counties with an unemployment rate above 8.5%.

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[17]Unemployment insurance recipients also include beneficiaries of veterans unemployment benefits and of employer insurance due to work injuries, a calculation that likely inflates the share of white recipients. Public assistance includes TANF, family, and general assistance.

This exemption was found to benefit white communities almost exclusively: according to a Washington Post analysis, whereas 23% of the state's residents are black, only 1.2% would be exempted by this rule (Stein and Van Dam, 2018). Hence, state politicians used their authority to set Medicaid criteria and their familiarity with Michigan's local demography to curb benefits for blacks more than for whites.

A third form of differentiation is achieved through the private market, which is more regressive and racially discriminatory by its nature. Healthcare policy, in particular, has been built around employer-sponsored private coverage. Rather the establishing a universal public healthcare system, American policymakers have consistently subsidized private plans using tax breaks, federal guarantees, and friendly regulation (Hacker, 2002, 2004). Medicare, Medicaid, and the Children's Health Insurance Program (CHIP) complement rather than compete with the private market by aiding populations who are largely outside the labor force. Obamacare, too, has continued to rely on private insurers. Indeed, according to data from the Census Bureau's CPS, 67.5% of adults—but only 56.5% of blacks—had private health insurance in 2016. OECD data finds that voluntary private spending on healthcare in the US reached 5.8% of GDP in 2013, far ahead of all other developed democracies; France, which ranked second, spent only 1.5% of its GDP on private healthcare plans. Similarly, generous retirement pensions are particularly common among strong unions and large corporations in which blacks remain underrepresented (Hacker, 2002).

Finally, a fourth form of differentiation occurs through tax expenditures. Howard (1997, 26) estimates that welfare-related tax expenditures in 1995 have reached USD 437 billion, about half of direct federal spending on welfare programs. Almost all welfare-related tax breaks benefit the middle and upper classes more than the lower class, buttressing the racial gaps in income and wealth (Howard, 1997; Faricy, 2016). Even relatively progressive tax instruments, such as the Earned Income Tax Credit (EITC), benefit workers with higher wages than the bottom income quintile (Howard, 1997, 28). In addition, many tax breaks reproduce market inequalities: almost half of the welfare-related tax subsidies are given to private healthcare plans, old-age pensions, and mortgages, all of which are more common among white middle-class employees and homeowners.

Their legislation, furthermore, is conducted far from the public eye and with little representation for weaker social groups, not least racial minorities (Howard, 1997; Bartels, 2005; Hacker and Pierson, 2005).

4.4   Conclusion: Lessons from the American Case

In summary, the American case supports my hypotheses and complements my quantitative findings of more regressive and exclusionary redistribution under high intergroup inequality. Racial diversity is an inseparable part of American history and politics. From its onset, race relations in the US have been characterized by deep intergroup inequality. Over time, racial inequality has transformed from slavery and overt oppression to softer forms of political and economic exclusion, including lingering income and wealth disparities. Moreover, socioeconomic inequality and threat to white privilege have become the focal points of current racial prejudice. To this day, the data show that a substantive share of whites consider blacks economically irresponsible and balk at redistributive policies aimed to assist them.

This form of racial prejudice fractures sympathy for the poor in general and undermines support for progressive redistribution. Americans are not categorically against welfare policies, but their preferences vary notably by type of program and by the strength of their racial resentment. Whereas blacks support all types of redistributive policies, the majority of whites favor only programs that serve cross-group interests: old-age, disability, military service benefits, and tax breaks for middle-class wage earners. Meanwhile, most are unenthusiastic about programs targeting lower-class needs and prefer stricter access criteria. Importantly, these differential preferences grow with deeper prejudice against blacks. The data show that whites who disparage the work ethic of blacks express greater opposition to progressive redistribution. Furthermore, racial prejudice does not undermine support for broader programs; in fact, a higher appreciation of fellow whites increases support for tax subsidies for the middle class. The racial undertone of these redistributive priorities is thus quite consistent.

These preferences are matched by actual welfare policies. The American welfare state has been

shaped by many forces, not all discussed here in depth. Yet, racial relations have left a clear imprint. Throughout the past century, welfare policies have consistently prioritized national programs for the elderly, disabled, and veterans, as well as tax subsidies for private insurance and other middle-class needs. Unemployment and social assistance programs, by contrast, have been smaller, have faced larger retrenchments, and have been managed with looser standardization. This dual system has consistently underfunded the socioeconomic needs of blacks, reproduced racial discrimination in jobs and housing, and treated various areas differentially based on their racial composition. As overt forms of racial exclusion became illegitimate over time, policymaking gradually shifted to indirect forms of exclusion based on the socioeconomic and geographical characteristics of black recipients.

4.4.1 Mechanisms: From Preferences to Policies and Back

The American case provides several insights into the mechanisms that link preferences to actual policies. In particular, two of the mechanism noted in Chapter 2 are evident. The first type involves bottom-up pressures by voters. Racial prejudice in the US is rooted in early-life experiences, including one's personality, family, education, and social norms (Kinder and Sears, 1981; Kinder and Kam, 2010; Acharya, Blackwell and Sen, 2018). These attitudes, in turn, influence voters' partisan alignments and candidate support (Kinder and Sears, 1981; Giles and Hertz, 1994; Kinder and Sanders, 1996; Valentino and Sears, 2005; Kam and Kinder, 2012). Office-seeking politicians, accordingly, have a strong interest to follow the deep-seated racial preferences of their voters, particularly on salient issues such as race and intergroup redistribution. For example, as discussed earlier, part of the Democratic Party's liberal turn and welfare expansion in the 1960s is attributable to bottom-up pressures from grassroots organizations, civil rights activists, and a more progressive electorate (Schickler, 2016).

Voters and local actors also influence policymaking by setting the boundaries within which self-interested elites can operate. For instance, the broad public support for popular welfare programs such as Medicare and Social Security has stymied consistent retrenchment attempts since the 1980s

(Pierson, 1996). On the other hand, Southern Democrats in Congress successfully vetoed a more inclusive welfare system in the 1930s and 1940s thanks to the lack of public opposition to racial discrimination and the willingness of labor unions to compromise on these issues (Quadagno, 1994; Lieberman, 1998; Brown, 1999). Voter constraints, however, are conditional on attention and knowledge. For example, weak public awareness of tax legislation and growing partisan loyalty have enabled Republican elites to cut taxes for the very rich more freely in recent years (Bartels, 2005; Hacker and Pierson, 2005).

Bottom-up pressures on elites are not fully exogenous, however. The second type of mechanisms identified in the US operates from the top down. In several historical junctures, popular positions on race policies became more prevalent after they were publicly articulated by politicians (Carmines and Stimson, 1989; Zaller, 1992; Kinder and Sanders, 1996). The media, too, plays a central role in amplifying racial framing for issues like crime or poverty (Gilens, 1999; Kellstedt, 2003). Political candidates, moreover, often purposefully prime voters' racial attitudes for electoral gains using various campaign cues (Mendelberg, 2001; Valentino, Hutchings and White, 2004). For example, the association of poverty with blacks since the 1960s, which was promoted by media editors and by various politicians, helped pave the way for later cutbacks in the 1980s and 1990s (Orfield, 1988; Gilens, 1999; Hancock, 2004; Ward, 2005). Thus, the strength of public attitudes is in itself affected by elite frames and cues to which many voters are exposed.

The existence of top-down forces does not contradict the bottom-up effect of voter preferences. The success of elite cues on race and redistribution depends on preexisting voter receptiveness for these messages. As Kinder and Sanders (1996, 9) explain, "American public opinion—in general and on matters of race—is an expression of a small set of primary ingredients," including bottom-up factors such as voters' material interests, intergroup affect, and political principles, yet "which ingredients they weigh heavily and which they ignore as they form their views depend on how the issue is framed by political elites." In other words, the racial cleavage and intergroup inequality are a necessary ingredient in redistributive policymaking, even as its intensity may rise or fall due to elite actions.

4.4.2 Class and Geography

Finally, what can the US teach us about the role of geography in a case that is dominated by high intergroup inequality? The data in this chapter found that regional identification does not play a central part in American race relations. Even though the black population was concentrated in Southern states until the early twentieth century, neither racial group has developed strong geographic solidarities. A couple of factors may explain the primacy of inequality over geography. First, status differences are more deeply embedded in American racial identities than geography. Black identity has been structured around shared historical experiences of slavery, discrimination, and lower access to resources and opportunities (Coates, 2015). White privilege, too, has been central to whites' own racial identity (Jardina, 2014). Second, blacks were historically concentrated in the South by force. As such, they did not form a free community seeking greater political autonomy or establish local institutions for self-rule. Instead, once they could, many chose to migrate to other regions in search of better economic opportunities. Hence, the depth and dominance of intergroup inequality pushed aside regional considerations.

These processes, however, do not render geography completely moot. The US illustrates two ways by which geography, particularly residential segregation, plays a secondary role to salient intergroup inequality. First, higher levels of residential segregation and local concentration of blacks have increased racial resentment among American whites both in the short and in the long term (Key, Jr., 1949; Giles and Hertz, 1994; Acharya, Blackwell and Sen, 2018; Enos, 2018). Even without meaningful regional identities, then, the geographical distribution of groups can exacerbate or moderate local tensions, communal norms of exclusion, and intergroup threat between unequal identity groups.

Second, residential segregation can serve as an effective tool for exclusion. When racial groups are sufficiently separate locally, geographic boundaries can be used to differentiate public services, law enforcement, and material resources along racial lines. Nevertheless, unlike my hypotheses on regional segregation, this differentiation is not motivated by regional solidarity or by self-rule aspirations. Instead, the extent of devolution is set partially and selectively by the federal government

and is utilized mostly with underprioritized programs. Moreover, this selective decentralization does not overlap with ascriptive identity communities but often involve smaller units (e.g., counties) and private companies. Thus, in cases such as the US, decentralization is often used as a selective tool to exclude poorer minority groups (Schram, Fording and Soss, 2008).

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CHAPTER V

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Language, Regional Segregation, and Redistribution in Belgium

5.1 Introduction

The second case study that I consider in depth is Belgium, where the primary ascriptive cleavage has been defined historically by geographic separation more than by class. Since its establishment in 1830, modern Belgium has been divided between two large ethno-linguistic communities based in separate regions, Dutch-speaking Flanders and French-speaking Wallonia, mapped in Figure 5.1.[1] This strict geographic separation has endured over time and played a key part in the construction of Belgium's ethno-linguistic identities. This cleavage and its territorial aspects, moreover, have dominated Belgian politics since the mid-twentieth century, reshaping the country's constitution, party system, and policymaking. In this chapter, I focus specifically on its implications on intergroup solidarity, redistributive preferences, and actual welfare policies.

The data confirm Belgium's strict and stable geographic divide along linguistic lines. The first Belgian census, conducted in 1846, found that 96.6% of the population in Flemish provinces spoke Dutch and 95.4% in Walloon regions spoke French (Zolberg, 1974). Almost two centuries later, this pattern still holds. Using European Social Survey (ESS) data from 2016, Figure 5.2 shows the shares of primary French and Dutch speakers by province.[2] The results trace the regional border

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[1]Belgium includes a third recognized linguistic group, German-speaking Belgians. However, this group is both small in size—less than 0.7% of the population in 2016—and politically marginal compared to the other two groups. In this chapter, therefore, I focus only on the primary cleavage between Flemings and Walloons.

[2]The relevant survey question asks about the language spoken most often in respondents' home. Brussels, which
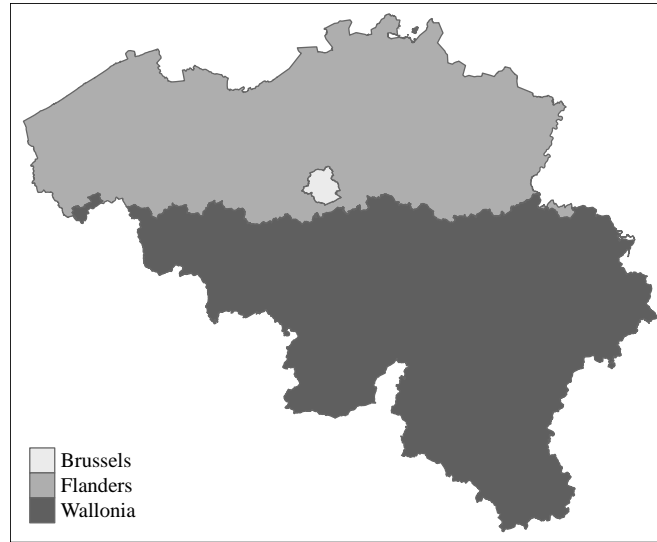
Figure 5.1: *Belgium's Regions*

between Flanders and Wallonia perfectly: in all provinces, near or over 90% of respondents speak the group's respective language in their homes. There are also limited interregional population flows: according to official Statbel data from 2010–2016, the annual average net interregional migration to Flanders and to Wallonia was 0.12% and 0.16% of their respective populations.[3] Given these numbers, in what follows I refer to ethno-linguistic groups and regions (with the exception of Brussels) interchangeably.

Contrary to the US, intergroup inequality in Belgium has been smaller and more dynamic over time. Wallonia was the richer region throughout much of Belgium's history, but, as noted later in the chapter, the regional fortunes have gradually shifted throughout the twentieth century. In 2016, Flanders had the higher regional GDP per capita, $42,072 compared with $29,852 in Wallonia, and an unemployment rate of 4.9% compared with 10.6%.[4] This inequality, however, does not map entirely onto community lines. Figure 5.3 breaks down average monthly wages in 2015 (left-hand panel) and employment shares in 2016 (right-hand panel) by Arrondissement (provincial

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is considered an independent region rather than a province, is left blank in both maps. Brussels itself is a francophone and cosmopolitan island: according to the survey, 69.3% of respondents from Brussels speak French at home, 28.8% speak other languages, and only 1.6% speak Dutch.

[3]Both regions' positive internal migration is balanced by Brussels' net loss.

[4]The data are taken from the OECD Regions and Cities database. GDP per capita is calculated in USD value using constant prices, constant PPP (base year 2010).

(A) Share of Dutch Speakers

0 to 10
10 to 20
20 to 30
30 to 40
40 to 50
50 to 60
60 to 70
70 to 80
80 to 90
90 to 100

(B) Share of French Speakers

0 to 10
10 to 20
20 to 30
30 to 40
40 to 50
50 to 60
60 to 70
70 to 80
80 to 90
90 to 100
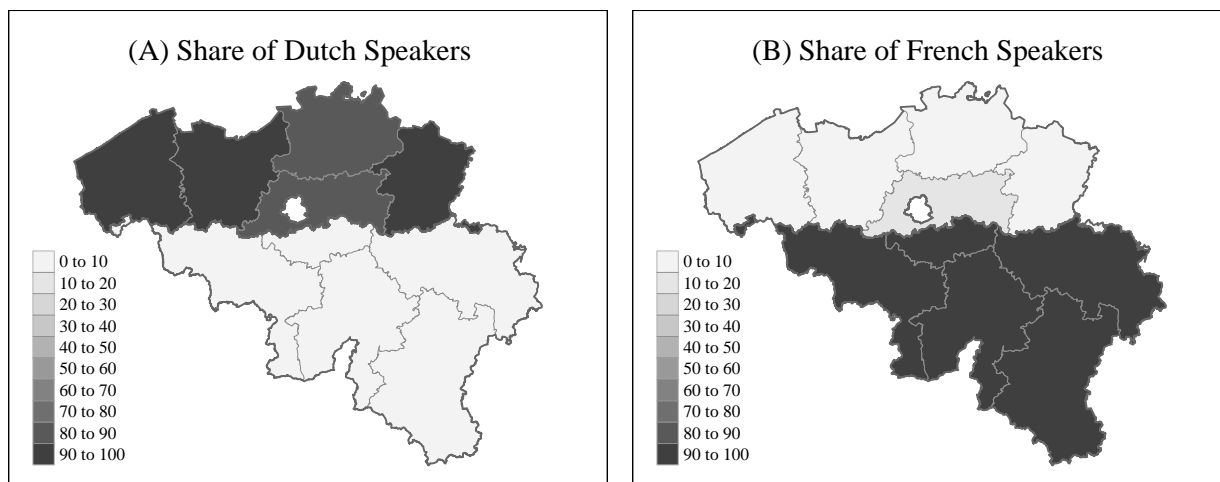
Figure 5.2: *Shares of French and Dutch Speakers by Province (Excluding Brussels), 2016*

subdivisions).[5] While both maps show a richer Flemish north, they also illustrate large within-region variation. Indeed, some parts of Wallonia, particularly more densely populated areas, are doing equally well or better than some parts of Flanders. The secondary role played by class is discussed in more detail later in the chapter.

(A) Average Full−Time Wage (EUR), 2015

2,600 to 2,800
2,800 to 3,000
3,000 to 3,200
3,200 to 3,400
3,400 to 3,600
3,600 to 3,800
3,800 to 4,000

(B) Employment (% of Working Age Pop.), 2016

30 to 40
40 to 50
50 to 60
60 to 70
70 to 80
80 to 90
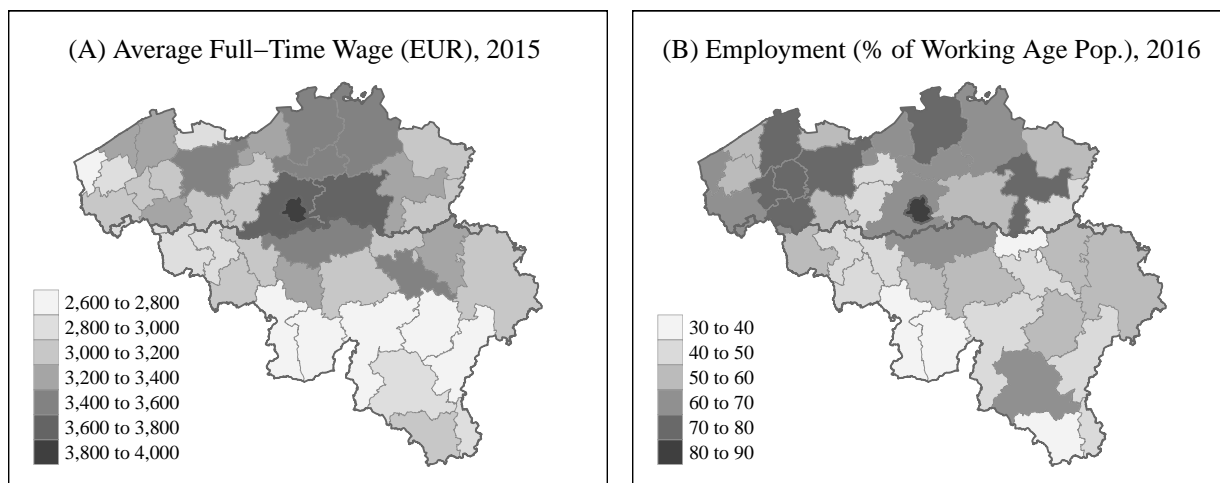
Figure 5.3: *Income (2015) and Employment (2016) by Arrondissement*

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[5]Wages are measured as the average gross monthly salary of full-time workers by Arrondissement of employment (Statbel data). I calculate local employment share as all persons employed in a given unit divided by the local population aged 15–64 using Eurostat data.

Despite its deep ethno-linguistic divide, Belgium poses a challenge to the common expectation that diversity strictly dampens redistribution. As of 2015, Belgium has ranked third among all OECD countries in public social spending as a share of GDP. My analysis in this chapter, nevertheless, reveals intergroup tensions, preference for welfare decentralization, and actual steps to promote the latter. The Belgian case, moreover, exemplifies how political institutions and unique historical moments can determine the ways and pace by which these outcomes unfold. At the same time, it also illustrates that institutional constraints can change endogenously as a result of ascriptive social structures.

The structure of this chapter follows the same theoretical path as the American case study. I begin by examining the brief history of Belgium's ethno-linguistic cleavage, its strong geographic nature, and its implications on intergroup solidarity. I find that the history and geographic context of Belgium have, indeed, created two separate ethno-linguistic communities with distinct regional identities, cultures, and negative out-group stereotypes. In the second part of the chapter, I find that these tensions correlate with higher support for welfare regionalization but not for more regressive policies. These preferences, moreover, are particularly strong in Flanders, where regional identities have traditionally been deeper. Belgium's centralized welfare institutions, which were created during a historical juncture with temporarily subdued ethno-linguistic politics, have mostly resisted these demands. Yet, in recent years, the pressures from below have been gradually eroding this resistance and have lead to increased redistributive devolution. Thus, despite the country's relatively high investment in welfare policies, the Belgian case supports my theoretical expectations.

5.2 Geography and Intergroup Relations in Belgium

The first theoretical link that I examine is the interrelations between Belgium's ethno-linguistic cleavage, its strong geographic characteristics, and intergroup solidarity. Theoretically, I expect that the strict regional segregation will foster two separate communities with strong regional identities and weak intergroup solidarity. At the same time, unlike the US, I do not expect that the linguistic conflict would not lead to deep class tensions. First, however, let us briefly review the

cleavage's history.

5.2.1 Historical Development

5.2.1.1 The Roots of Belgium's Ethno-Linguistic Politics: 1830 to the 1960s

Like many other European countries, Belgium emerged from a collection of feudal states that switched different imperial hands from the middle ages to the early nineteenth century. Modern Belgium was established in 1830 by local francophone elites that rebelled against the short-lived United Kingdom of the Netherlands. The rebellion unified elites form Wallonia and Flanders, most of whom Catholic, relatively liberal, and influenced by French ideas and culture. French, moreover, was initially set as the sole official language. Nevertheless, the residents of these two regions were naturally divided along linguistic and cultural lines (Zolberg, 1974; McRae, 1986; Humes, 2014).

Throughout most of the nineteenth century, Flanders was largely rural and underdeveloped and its people overlooked by francophone elites. These conditions led to cultural and linguistic inequality and, accordingly, to growing Flemish grievances about discrimination by the state's institutions (McRae, 1986; Vos, 1998). The Flemish frustrations grew further in the late nineteenth century as the region gradually modernized. With modernization, more Flemings found that upward mobility required mastery of French and assimilation into francophone networks. Meanwhile, growing literacy and education rates nurtured a burgeoning Flemish culture with a strong local nature (Zolberg, 1974; Vos, 1998; Humes, 2014).

Geography played a decisive role in these early identity formation processes. The lack of regular contact hid most Flemings from the view of francophone elites, who assumed that the Flemish language would eventually assimilate into the country's modern French culture. Ironically, this overconfidence, together with the geographical separation, provided the Flemish identity a broader space to develop (Zolberg, 1974; Huyse, 1981). Furthermore, the francophone authorities reacted to the Flemish grievances with local and poorly-implemented laws that integrated Flemish as a second language in Flanders only, further reinforcing the nexus between language and region

(Van Goethem, 2011; Humes, 2014).

Despite its early formation, however, the linguistic divide remained politically restrained until the twentieth century. Several reasons account for this relative moderation. First, lacking suffrage until 1893, the Flemish masses had little political influence or representation. Instead, local Flemish elites were mostly francophone and conducted their business in French (Zolberg, 1974; Huyse, 1981; Humes, 2014).

Second, after the establishment of full male suffrage in 1893, the linguistic divide was channeled into the existing party system, which was already structured around church and class. The latter two cleavages predominated Belgian politics in the nineteenth century due to the country's rapid industrialization, at one point leading Western manufacturing together with Britain (Zolberg, 1974; Huyse, 1981). Belgium's swift modernization led to growing tensions between the Catholic Church and liberal elites, particularly over control of public education. Meanwhile, more workers migrated to industrial centers, especially in booming Wallonia, forming a new labor constituency (Humes, 2014). Seeking to counter the dual threat of secular liberalism and labor socialism, the Catholic Church turned to the silent Flemish majority. Although it previously disapproved of the Dutch language for fear of Calvinist influences, the church now harnessed Flemish identity and linguistic grievances to co-opt the region's lower and middle classes (Strikwerda, 1988; Gevers, 1998; Erk, 2005).

This mobilization strategy was highly successful. The Catholic Party decisively won the first post-suffrage election of 1894, with 51.6% of the votes and 68.4% of lower-house seats (Nohlen and Stöver, 2010). Of these seats, 63.5% came from Flemish districts compared to only 12.5% from Wallonia. By comparison, Walloon districts accounted for 85% of the Liberal Party's seats and all of the Labour Party's seats. Moreover, the Catholic vote in Flemish provinces was higher than in Wallonia even when holding constant class markers such as urbanization and the share of workers (de Smaele, 2011).

The alignment between the Catholic Party and Flemish voters was further institutionalized in following decades as the Catholics, the Liberals, and the Socialists established three separate

pillars, each involving its own political, social, and economic institutions.[6] While these pillars crossed regional lines, a majority of Flemings consistently supported the Catholic Party while a majority of Walloons voted for the Liberals and Socialists up until the mid-twentieth century (McRae, 1986, p. 134).

Despite the pillar system, the salience of regional-linguistic identities continued to grow in the first half of the twentieth century. With sustained modernization and unequal linguistic status, the Flemish nationalist movement expanded and grew more militant. These pressures led to new language laws in the 1920s and 1930s that formally recognized Flanders and Wallonia as mono-linguistic regions with state services in their respective languages (Van Goethem, 2011; Humes, 2014). These laws, in turn, induced a Walloon counter-movement that sought to protect the privileged status of French and considered Walloons a distinct cultural community of their own (Huyse, 1981; McRae, 1986; Kesteloot, 1998).

These developments were restrained politically until the 1960s due to a third reason: backlash following the German occupation of Belgium in both world wars (1914–1918 and 1940–1944). In both wars, the German occupiers strategically utilized *Flamenpolitik* ("Flemish policy"), a divide-and-rule strategy that purposefully prioritized Flemish demands and split Belgium further along its linguistic lines (Van Goethem, 2011; Humes, 2014). Moreover, the Germans found willing collaborators among the regionalist movements, particularly in Flanders. Although this collaboration was limited in size—it is estimated that 13% of Flemings collaborated with the Nazis during World War II—it portrayed Flemish nationalists as traitors and set back their agenda after each war (McRae, 1986; Vos, 1998). This backlash effect was particularly strong after World War II, when tens of thousands of collaborators were publicly persecuted and the Flemish nationalist movement disbanded for several years. Belgium's liberation in 1944 fostered, instead, a temporary rally-around-the-flag effect and short-lived political unity. As I discuss later in this chapter, this moment was a critical juncture in the centralization of Belgium's welfare state.

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[6]The term Pillarization is used to describe the segmentation of society, most famously in the Netherlands and Belgium, into several ideological families, each with its own social and political institutions (e.g., political parties, labor unions, media outlets, schools, youth organizations, etc.). For more, see Lijphart (1968) and Post (1989).

5.2.1.2   Ethno-Linguistic Dominance and State Reform: 1960s Onward

The ethno-linguistic cleavage finally took over Belgian politics from the 1960s onward. Its upsurge was facilitated by several factors. First, the salience of the two old cleavages, structured around church-state and class divisions, eroded. The conflict between church and state calmed down, particularly after a compromise agreement on public education was reached in 1958. Old class politics, meanwhile, weakened in the face of new post-materialist interests (Inglehart, 1971; Huyse, 1981; Humes, 2014).

Second, the Flemish grievances about linguistic discrimination resurfaced in the 1960s, with a particular focus on public universities and on the dwindling status of Dutch around Brussels. These vocal, student-led protests resulted in new language laws that further institutionalized each region's linguistic autonomy (Vos, 1998; Van Goethem, 2011; Humes, 2014).

Finally, the ethno-linguistic tensions deepened due to an interregional shift in economic fortunes (Vos, 1998; Van Goethem, 2011; Humes, 2014). Wallonia's steel and coal-based industries faced a deep crisis since the 1950s, while Flanders gradually drew foreign investments and established new petrochemical and automotive industries. In 1966, Flanders' gross regional product per capita surpassed Wallonia for the first time in Belgium's history (McRae, 1986; Leibfritz, 2009). The economic changes fractured class solidarity further, particularly after Flemish unions refused to join Walloon strikers in 1960–1961 (Fontaine, 1998; Kesteloot, 1998).

The growing dominance of the ethno-linguistic cleavage raised new pressures in favor of political and institutional decentralization. During the 1960s, new regional parties emerged and gained a larger following in both areas. As a result, the three established parties—the Catholics, Socialists, and Liberals—split into pairs of Flemish and Walloon sister parties between 1968 and 1978. Competing within a single region, the split parties now aligned themselves with regional interests at the expense of shared intergroup agendas (Huyse, 1981; De Winter and Baudewyns, 2009; Deschouwer, 2013). The growing fractionalization of the party system also complicated coalition-building and governance, a problem that persists to this day.

Eventually, the ethno-linguistic divide led to a series of constitutional reforms in 1970, 1980,

1988, 1993, 2001, and 2011, officially transforming Belgium from a unitary state to a federation (McRae, 1986; Falter, 1998; Swenden and Jans, 2006). The reforms created a complicated multilevel structure, comprising (1) three Communities (Walloon, Flemish, and German) with responsibility for interpersonal affairs such as language, culture, and education; (2) three Regions (Wallonia, Flanders, and Brussels) with responsibility for territorial affairs such as infrastructure, planning, and economic development; and (3) a federal government with responsibility for national defense, monetary policy, and, as I discuss in the next section, social security. Importantly, Belgium's federal system is not hierarchical: each level, with its own parliament and government, has exclusive responsibilities within its jurisdiction. Thus, within the division of labor noted above, a communal or regional decree has equal power to a federal law. This structure continues to face cross-pressures to centralize and decentralize different components and authorities, implying that additional reforms may be yet to come.

5.2.2 Implications for Intergroup Relations

The physical segregation and lack of regular contact have been principal forces in the formation of Belgium's ethno-linguistic cleavage, establishing two distinct communities with separate geographic spaces, historical narratives, and political institutions. Existing research and recent data show that this context has indeed strained the country's intergroup solidarity, including negative affect and stereotypes, low interpersonal trust, and a relatively weak shared identity. At the same time, unlike in cases with high intergroup inequality, there are no signs of a strong interclass conflict. Let us examine each aspect in turn.

5.2.2.1 Negative Affect and Stereotypes

First, both ethno-linguistic communities express negative affect and stereotypes toward the other group. Research conducted among Belgian students as early as the 1960s and 1970s found both positive perceptions of one's ethno-linguistic in-group members and negative feelings toward the other group. These sentiments were largest among students who did not come in regular contact

with the other group (McRae, 1986). Moreover, members in both linguistic groups guessed that out-group members thought worse of them than the latter actually did (McRae, 1986; Mesquita et al., 2010).

The content of out-group stereotypes is rooted in the two groups' historical narratives, each emphasizing its own victimhood. This point is implied by a survey question that asks Belgians to state the year in which the ethno-linguistic conflict began (Rimé et al., 2015). The median answer among Flemings was 1830, the year of Belgium's independence, evoking memories of Flemish disenfranchisement under francophone dominance. By contrast, the median Walloon answer was 1930, the interwar period in which Flemish nationalism grew stronger and new bilingual laws eroded the privileged status of French. Both groups, then, identify the conflict's roots in the other side's antagonistic behavior. Furthermore, when asked explicitly, members of both groups indicated that their own group suffered more at the hands of the other side than vice versa.

Given the Flemish narrative of francophone disparagement, many Flemings consider Walloons arrogant and disdainful compared to a more authentic and honest Flemish nature (Klein et al., 2011). Indeed, Flemish nationalist parties continue to frame themselves as rebels against cosmopolitan elites who belittle and condescend Flemish identity (de Smaele, 2011). Many Walloons, meanwhile, consider the Flemings selfish and intolerant of other groups and traditions (McRae, 1986; Klein et al., 2011). These stereotypes and narratives are reinforced by the lack of regular, unmediated contact. With federalization, each community maintains its own education system, media outlets, and political debates and cultivate different values and worldviews (Erk, 2003; Billiet, Maddens and Frognier, 2006). Moreover, the split media tends to cover political events through a narrow lens that flattens and typecasts the other group's positions (Van Goethem, 2011; Sinardet, 2007).

5.2.2.2   Intergroup Distance, Trust, and Shared Identity

The prevalence of mutual stereotypes and high social distance fracture intergroup solidarity, trust, and a shared national identity. Recent studies find that Belgians with a stronger sense of

collective victimhood and in-group identification also tend to express stronger out-group antagonism and purposefully avoid contact with the other ethno-linguistic group (Jasini, Delvaux and Mesquita, 2017; Meuleman, Abts and Meeusen, 2017).

As the micro-behavioral literature would expect, the social distance between Flemings and Walloons undermines social trust more generally. I examine this relationship using survey data from the 2007 Belgian National Election Study (BNES).[7] As the outcome variable, I measure interpersonal trust as the level of respondent agreement with the following statement: "Today you cannot be careful enough when dealing with other people". The answers range on a 5-point scale from "Completely disagree" to "Completely agree". A majority in both regions (52.7% of Flemings and 66.1% of Walloons) agreed or completely agreed with the statement.

To consider the relationship between trust and ethno-linguistic relations, I regress interpersonal trust on two measures of intergroup distance. The first, which measures perceived intergroup differences, is a dummy variable based on the following question: "Are there major or minor differences in mentality and lifestyle between Flemings and Walloons?" The answers are either "Small differences" or "Major differences". The second measure captures cultural distance based on a question that asks respondents if they feel closer to a Belgian out-group member or to a foreign citizen from their respective cultural heritage (French citizens for Walloons and Dutch citizens for Flemings). I code the answers as a dummy variable that indicates higher identification with a French/Dutch citizen over a Belgian out-group member. Table 5.1 shows the distribution of answers to both questions. While more Flemings see major differences between the groups, an attestation to their stronger historical mobilization, substantive shares of both communities perceive broad intergroup and cultural distance.

Table 5.2 presents estimates from an OLS regression that also controls for individual-level age group, gender, education, church attendance, and full employment. Perceiving major differences between the two groups and feeling closer to a foreign cultural peer both correlate with lower levels of interpersonal trust. The negative correlations hold whether the two social distance variables are

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Table 5.1: *Intergroup Distance by Region, 2007*

	Total	Flanders	Wallonia	Brussels
Intergroup Differences				
Small Differences	46.0%	38.8%	52.8%	64.0%
Major Differences	54.0%	61.2%	47.2%	36.0%
Observations	1988	1,039	707	242
Cultural Distance				
Close to Dutch/French citizen	34.0%	36.4%	32.4%	28.1%
Closer to out-group Belgian	30.2%	33.6%	27.1%	23.7%
No difference/Depends	35.8%	30.0%	40.5%	48.3%
Observations	2,032	1,071	714	247

included separately (models 1–2), together (3), or with region fixed effects (model 4).

Table 5.2: *Interpersonal Trust: OLS Regression*

	(1)	(2)	(3)	(4)
Intergroup Differences	-0.143***		-0.113**	-0.161***
	(0.038)		(0.040)	(0.040)
Cultural Distance		-0.181***	-0.151***	-0.153***
		(0.039)	(0.041)	(0.041)
Age Group	-0.016	-0.013	-0.017	-0.022
	(0.013)	(0.013)	(0.013)	(0.013)
Female	-0.125**	-0.125***	-0.119**	-0.110**
	(0.038)	(0.038)	(0.038)	(0.038)
Education	0.255***	0.241***	0.244***	0.244***
	(0.020)	(0.020)	(0.021)	(0.021)
Religiosity	0.033**	0.036**	0.035**	0.031*
	(0.013)	(0.013)	(0.013)	(0.013)
Full Employment	0.054	0.062	0.067	0.059
	(0.045)	(0.045)	(0.046)	(0.045)
Constant	2.053***	2.059***	2.107***	2.038***
	(0.110)	(0.109)	(0.111)	(0.120)
Region Fixed Effects	No	No	No	Yes
Observations	1,985	2,028	1,978	1,978
R^2	0.111	0.114	0.117	0.146

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Robust Standard errors in parentheses.

Belgium's ethno-linguistic cleavage also undermines their shared Belgian identity. Comparatively, Belgians take less pride in their country than most other Europeans. Using pooled survey data from waves 3 and 4 (1999–2001 and 2008–2010) of the European Values Survey (EVS), I

examine a question that asks respondents how proud they are to be citizens of their country. The answers range on a 4-point scale between "Not at all proud" and "Very proud". I regress this variable on EU country dummies, while also controlling for age group, gender, education, church attendance, full employment, and EVS wave. Figure 5.4 plots the country dummy coefficients compared to the Belgian baseline, marked in a dashed line. All else equal, Belgian respondents' pride in their country is weaker on average than all but four EU countries.
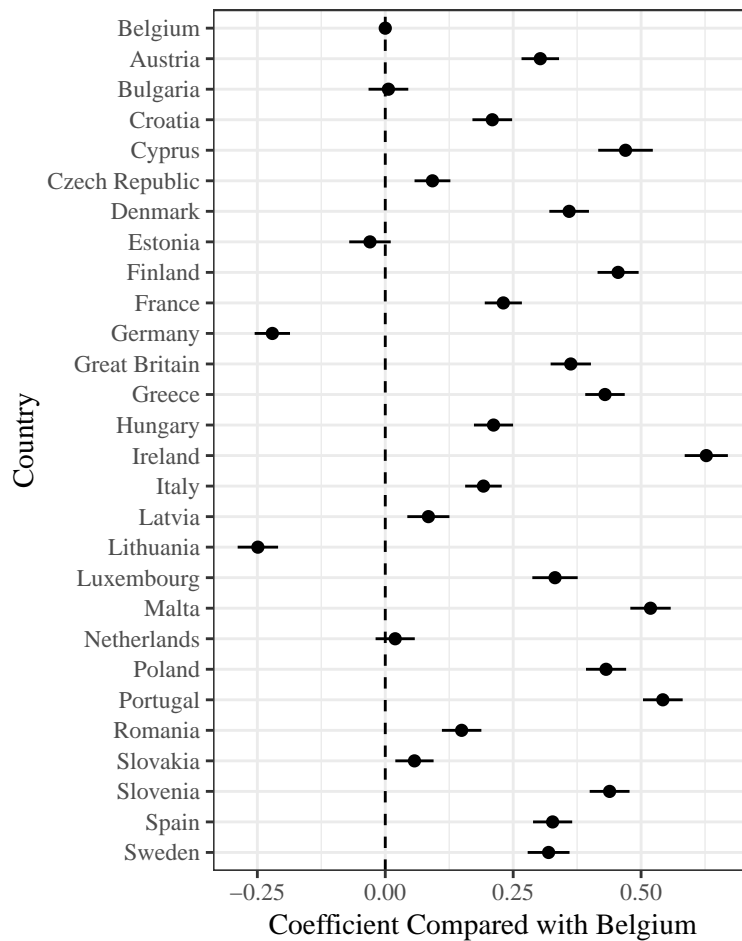
Figure 5.4: *National Pride: Country Coefficients from OLS Regression*

Using survey data from 1979 to 2014 (BNES, Deschouwer et al., 2015), Figure 5.5 compares the share of Flemings and Walloons who state that they are firstly Belgians (left-side panel) and the share who instead chose their Fleming/Walloon regions or communities (right-side panel).[8] In both groups, the data show a relatively stable pattern of double-digit identification with the regions

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[8]Additional answers, which are not shown, included one's province and one's commune/city.

and communities before the state. Nevertheless, Flemings consistently identify with their region and community more strongly than Walloons. This pattern corroborates the existence of a more cohesive and mobilized Flemish identity, fitting the historical processes discussed earlier. Furthermore, some Walloons with a strong national identity may still think of a francophone Belgium as it existed in the past (Fontaine, 1998).
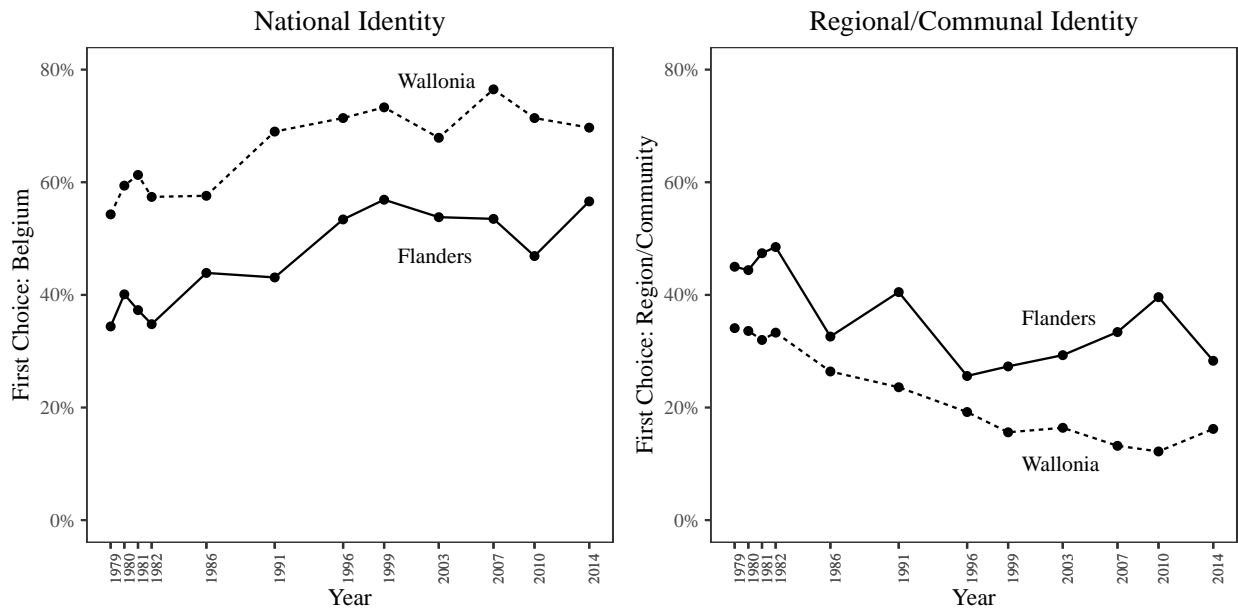
Figure 5.5: *National and Subnational Identification by Region, 1979–2014*

At the same time, a majority in both regions identified as Belgians first, particularly since the 1990s. The literature offers both a substantive and a technical explanation for this curious trend. Substantively, federalization may have enabled regional and national identities to complement one another more easily, although at the cost of a thinner national identity (Hooghe, 2004; Billiet, Maddens and Frognier, 2006; De Winter and Baudewyns, 2009). This explanation echoes a similar process identified in Spain, as the next chapter discusses. Technically, this survey question was shown to be sensitive to small changes, such as different wording or the order of the answers presented to respondents (Hooghe, 2004; Deschouwer et al., 2015). Thus, the exact distribution of answers and the temporal trends should be treated cautiously.

5.2.2.3 Interclass Conflict

My theoretical framework expects that cases like Belgium, where group identities are shaped more strongly by geography than by class, would not produce noteworthy levels of interclass conflict. Several questions from the BNES surveys show that neither ethno-linguistic group expresses particular reservations toward the poor, even as the historically left-leaning Walloons are somewhat more progressive than Flemings. In 2007, a majority in both groups (63.3% of Flemings and 74.2% of Walloons) agreed or strongly agreed that "Workers still have to struggle for an equal position in society". In the same vein, in 1999, less than a third of either group (29.8% of Flemings and 23.7% of Walloons) agreed or strongly agreed that "Even ordinary people usually get their fair share of the wealth of our country".

Moreover, class identification does not seem central to either group. The 1995 election survey asked respondents how important they consider membership in a list of social categories. A majority of both groups found shared territory (61.1% of Flemings and 68.3% of Walloons) and shared language (66.4% of Flemings and 73.7% of Walloons) important or very important. By contrast, only a minority of both groups found social class (18.7% of Flemings and 30.1% of Walloons) and shared occupation (16.5% of Flemings and 25% of Walloons) important or very important.

Comparatively, Belgians' perceptions of class struggle do not stand out from other countries. To see that, I examine the same question from the 2009 module of the International Social Survey Programme (ISSP) used in Chapter 3: "In all countries, there are differences or even conflicts between different social groups. In your opinion, in [respondent's country] how much conflict is there between the working class and the middle class?" The answers range on a 4-point scale between "There are no conflicts" and "Very strong conflicts". Unfortunately, the 2009 ISSP only surveyed Flemish Belgians. Nevertheless, given that there are only mild differences between the groups on class issues, the data are still instructive. As before, I estimate an OLS regression that includes country dummies while also controlling for individual-level age group, gender, education, and church attendance. The country coefficients are plotted in Figure 5.6 with Belgium as the baseline category. The results place Belgium's baseline around the middle of the sample, neither

particularly higher nor particularly lower than other countries.
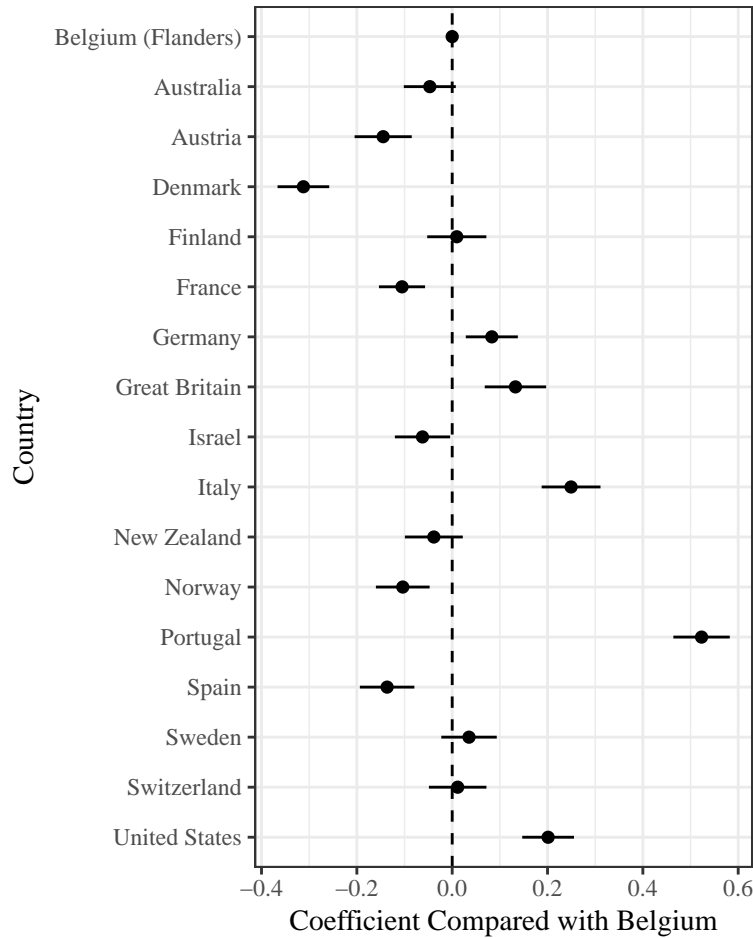
Figure 5.6: *Class Conflict: Country Coefficients from OLS Regression*

5.3 Intergroup Relations and Redistribution

Thus far, the Belgian case has followed my theoretical expectations regarding intergroup relations and solidarity. How does this context implicate redistributive preferences and policies? I begin, again, with a brief historical context of Belgium's welfare state.

5.3.1 Redistributive Centralization and Decentralization in Belgium: Historical Context

The development of Belgium's welfare state can be roughly divided to three periods: an initial period of bottom-up formation from the nineteenth century to World War II; a period of centraliza-

tion from World War II to the 1980s; and, starting from the 1980s, a period of increased pressures to decentralize welfare policy to the communities. Let us briefly examine each in turn.

5.3.1.1 Fragmented Roots

Belgium's welfare state developed historically from the ground up. In the nineteenth century, as industrialization swept through Belgium, basic social services began to mushroom across the country's industrial centers through local associations, mutual aid funds, labor unions, religious institutions, and employer-run funds. These services included insurance for occupational accidents, unemployment compensation, old-age pensions, and family allowances, among others (Béland and Lecours, 2008; Cantillon, 2011). Throughout this period, the central government played a limited role confined to basic regulation and to minor subsidies for these grassroots organizations (Moeys, 2018).

The state's involvement gradually grew from the end of the nineteenth century to World War I, although still mostly through regulations and subsidies. Meanwhile, the welfare system's localized structure remained in place, particularly as the voluntary organizations integrated into the pillar system's social and political ecosystems. Rather than the ethno-linguistic divide, the reliance on local service provision was driven to a large extent by partisan ideology and interests. Like other Christian Democrats in Europe, the ruling Catholic Party rejected nationalized social security in favor of state subsidies for privately-run welfare services, not least their own (Van Kersbergen, 2011). At the same time, this diffusion was not absolute: protecting their political power, the Catholics centralized the subsidy allocation mechanism to curb the influence of local authorities controlled by the socialists or liberals (Moeys, 2018).

The left gained more political leverage in the 1920s and 1930s, following Belgium's switch to proportional representation and coalition-based governments. With this change, the state introduced its first two mandatory programs: old-age pensions (1924–1925) and family allowances (1930). Yet, even as the central government broadened its reach, the management and distribution of these services remained at the hands of local social organizations. In addition, the new

compulsory programs did not replace existing employer-run services (Béland and Lecours, 2008; Cantillon, 2011). Thus, by the eve of World War II, the Belgian welfare system was highly fragmented with some government regulation and subsidies.

The ethno-linguistic cleavage was not a major factor in these processes. Between the still-active church-state and class cleavages and the pillar system's successful co-optation of ethno-linguistic identities, the fragmented provision of social services mitigated redistributive conflicts between the two groups. That said, some tensions did surface when group interests collided more overtly. This was more common in the interwar period, when ethno-linguistic antagonism deepened and the central government became more involved in social policy. In one notable example, some Walloons objected the national expansion of mandatory family allowances in 1930, claiming that they unfairly transferred income to large Catholic families in Flanders (Béland and Lecours, 2008; Cantillon, Pestieau and Schokkaert, 2009; Van Goethem, 2011). Yet, these conflicts were limited in scope and exceptions rather than the rule.

5.3.1.2 Post-World War II Centralization

Belgium's fragmented welfare state reached a critical historical juncture in 1944, when the country switched to a national and mandatory social security system. The new system emerged following the Social Pact, an agreement reached in April 1944 by representatives of the pre-war trade unions, employer organizations, and civil service. The Social Pact was negotiated secretly under the German occupation in preparation for the country's liberation. It eventually laid out general principles for cooperative labor relations in return for expanded social rights and a national social security system.

In December 1944, merely three months after the Allied Forces freed Brussels, the pact's general principles were fleshed out by new legislation. Belgium's new social security system was based on a national fund that pooled mandatory contributions from employers and workers complemented by state subsidies. At the same time, the distribution of benefits remained at the hands of existing social organizations, particularly labor unions and mutual health funds (Béland and

Lecours, 2008; Cantillon, 2011).[9] The system included four core services: old-age pensions, unemployment benefits, family allowances, and health insurance. It also offered occupational injury compensation, annual paid leave, and modest, means-tested social assistance. Additional expansions in the 1960s and 1970s added coverage for the self-employed and means-tested income support for the disabled and elderly (Dandoy and Baudewyns, 2005; Béland and Lecours, 2008). Despite various pressures for reforms, the system's core framework remained strongly rooted in the 1944 legislation for decades to come.

Although the calls for a national social security were not new, the shock caused by World War II was crucial for the centralization of Belgium's welfare state. Ideologically, the new agreements were part of an effort to project unity and moderation as Belgium restored from the toxic internal divisions and extremist factions cultivated by the Nazis, not least the regionalist movements (Conway, 2012). This effort was further reinforced by a similar expansion of social services across post-war Europe, a shared and hard-taught lesson on the risks of mass unemployment and radicalized workers (Conway, 2012).

From a political perspective, the end of the German occupation opened a temporary window to pass reforms without effective opposition. The Social Pact was negotiated clandestinely under Nazi rule, a period in which many social actors, especially the unions, were weakened and thus more open to compromise (Pasture, 1993). The absence of political and institutional opposition was particularly apparent in the follow-up legislation, drafted and pushed by Achille Van Acker, the minister of Labor and Welfare and head of the Socialist Party. Despite the lack of broad consensus regarding the new system's design, the legislation passed quickly using a series of special wartime decrees, with a single cabinet discussion and no parliamentary vote (Pasture, 1993; Dandoy and Baudewyns, 2005; Béland and Lecours, 2008; Conway, 2012).

These exclusionary dynamics largely muted ethno-linguistic and regional sentiments. The regionalist movements, which were the primary bearers of ethno-linguistic politics, faced public backlash due to some of their members' collaboration during the war. With their temporary dis-

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[9]According to Béland and Lecours (2008, 153), the shared responsibility between the state and local organizations explain why most Belgians refer to the system as "social insurance" rather than a "welfare state".

integration, the reform was passed by a relatively conservative coalition rooted in the old pillar system.

5.3.1.3 New Pressures to Decentralize

The possibility of social security decentralization, which would devolve revenue collection and policymaking to each community, was raised as early as the 1950s and 1960s. Some arguments were functional, but others, particularly from the (then) economically stronger Walloon side, claimed that the system unfairly redistributes income to the Flemish community (Dandoy and Baudewyns, 2005; Béland and Lecours, 2008). Yet, these positions were taken at the margins. In fact, as late as 1968, the primary regional parties expressed their support for the national social security system (Dandoy and Baudewyns, 2005).

The pressures to decentralize social security gained more steam from the 1970s onward, with the ethno-linguistic realignment of Belgium politics, federalization, and the interregional reversal of economic fortunes. By the early 1970s, the regional parties changed course and demanded social security changes aligning with their respective priorities: the Flemish movement wanted full devolution, while the francophone regionalists, concerned with the economic crisis in Wallonia, proposed to devolve family and health benefits but keep unemployment and old-age programs centralized. By the mid–1990s, as the federalization process was in full force, the regional Flemish government and legislature endorsed proposals to transfer social policymaking to the community level. The position in Wallonia was more fragmented, wavering between strict opposition and support for partial devolution, particularly among its smaller regionalist factions (Dandoy and Baudewyns, 2005; Béland and Lecours, 2008).

These pressures, however, have mostly been futile. The constitutional reforms consistently protected the federal government's authority over social security, in particular the core, contribution-funded programs that involve old-age pensions, incapacity and occupational injuries, unemployment benefits, health insurance, and, until recently, family allowances. Belgium's complex federal structure allows the regions and communities to add social services within their jurisdictions so

long as they are not overreaching the central government's authority. The result is partial decentralization at the margins of the welfare state (Cantillon et al., 2006; Béland and Lecours, 2008; Velaes, 2011). For example, while the federal government manages unemployment benefits, the regions manage unemployment training programs. The regions also run certain social assistance programs outside social security, such as public housing and rent subsidies. The communities, meanwhile, offer complementary services—prevention, education, daily assistance, and so on—for healthcare, family, and old-age needs.

The level of decentralization is also limited by taxation capacity, which has largely remained at the federal level (Swenden and Jans, 2006). The communities currently have no fiscal autonomy, and so their social services are mostly funded by federal tax transfers. By contrast, the regions are authorized to levy additional taxes or give certain tax breaks on top of federal taxation, although most regional revenues are transferred from the central government. New legislation, passed in 2014, is expected to increase the regions' taxation autonomy.[10]

Unlike certain federations, there are no direct interregional transfers in Belgium. Rather, most interregional redistribution flows indirectly through the social security system and other federally collected taxes (Leibfritz, 2009). According to estimations from the early 2000s, about 4% of Flemish income was transferred to Wallonia and Brussels in this way (Dandoy and Baudewyns, 2005; Cantillon et al., 2006). This number reflects the existing socioeconomic and demographic differences between the groups, although it is also not unbearable. Thus, the federal welfare system, which is interpersonal in nature, is a key vehicle for intergroup redistribution. Indeed, the public discussion on social security decentralization is far from over, and, as I discuss below, have led to gradual changes nonetheless.

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[10]According to OECD data, the regions and communities increased their reliance on their own taxation as the reforms progressed. Thus, by 2007, the share of their revenues from federally transferred taxes dropped to 59.3% compared to 74.7% in 1990 (Leibfritz, 2009). The new taxation capacities may need more time to take effect, however: according to the 2017 budget plans of the regional Flemish and Walloon governments, the planned share of revenues from federal sources remains 58.9% and 59%, respectively.

5.3.2 Redistributive Preferences: Redistribution vs. Decentralization

Given that Belgian social security pools together two antagonistic groups, what do their members think about the country's redistributive system? In line with my theoretical framework, I separate attitudes toward income redistribution in general and toward the decentralization of social security in particular. Theoretically, I expect to find a stronger support for the latter than the former, particularly as regional identities grow.

5.3.2.1 Public Preferences on Redistribution

I begin with general preferences on income redistribution. Using ESS data from 2016, Table 5.3 summarizes the distribution of Belgian respondents' agreement that "the government should take measures to reduce differences in income levels". The answers range on a 5-point scale between "Disagree strongly" and "Agree strongly", which I collapse to a 3-point scale for ease of presentation. The findings show that a majority of Belgians support or strongly support income redistribution by the government. As expected, Flemings hold less progressive views on redistribution than Walloons, who have been historically more left-winged than the former. Yet, in Flanders, too, a large majority positively supports income redistribution.

Table 5.3: Support for Redistribution by Region, 2016

	Everyone	Flanders	Wallonia	Brussles
Disagree strongly/Disagree	14.5%	17.6%	11.0%	6.8%
Neutral	13.1%	13.5%	12.0%	13.7%
Agree/Agree strongly	72.4%	68.9%	77.1%	79.5%
Observations	1,760	1,068	502	190

I find similarly strong support, and fewer differences, when examining specific areas of social policy. Table 5.4 showcases the distribution of answers to three questions about the level of responsibility that the government should take for (1) a reasonable standard of living for the old, (2) a reasonable standard of living for the unemployed, and (3) sufficient child care services for working parents. The answers range on an 11-point scale between "Should not be governments' responsibility at all" and "Should be entirely governments' responsibility", which I collapse to a

3-point scale for ease of presentation. As the data show, members of both groups display strong support for all three policies with few intergroup differences.

Table 5.4: Support for Different Types of Redistribution by Region, 2016

	Old-age		Unemployment		Child-care	
	Flanders	Wallonia	Flanders	Wallonia	Flanders	Wallonia
Negative	2.9%	2.6%	15.7%	17.3%	5.6%	4.6%
Neutral	5.1%	4.8%	16.9%	17.5%	6.2%	6.8%
Positive	92.0%	92.6%	67.4%	65.1%	88.2%	88.7%
Observations	1,072	502	1,071	502	1,070	502

These positions place Belgians in par with most European countries. To illustrate that, I examine the same four questions—support for income redistribution in general and for the three specific policy areas in particular—using the full cross-sectional ESS sample.[11] I regress support for each question on the sample's country dummies while controlling for individual-level differences in age group, gender, education, church attendance, and full unemployment. Figure 5.7 displays the country coefficients compared with Belgium. In all cases, the Belgian baseline, marked by the dashed line, is around the center. Belgians, in other words, do not stand out from other European countries in their views on redistribution.

In addition to policy preferences, a majority of Belgians in both regions are supportive of the country's welfare institutions. Three waves in the EVS survey, between 1990 to 2008, asked respondents about their level of confidence in their country's social security system. The answers ranged on a 4-point scale between "None at all" and "A great deal", which I collapse to a simple binary indicator of positive or negative support. Figure 5.8 displays the answers over time by region. In both regions, a clear majority of respondents express strong confidence in Belgium's social security system. (The peak in 2008–2010 may reflect higher demand for welfare benefits given the global economic crisis.)

This confidence, moreover, is comparatively high. As before, Figure 5.9 presents country coefficients based on a cross-sectional OLS regression that controls for individual-level age group,

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[11]I collapse the latter 3 questions to a 5-point scale for easier comparison with the first one. I use version 1.1 of ESS wave 8 (2016), published April 9, 2018. While this version is the most recent, it is missing several countries (Hungary, Italy, Lithuania, Portugal, Spain, and Sweden) whose data was still being processed prior to future release.
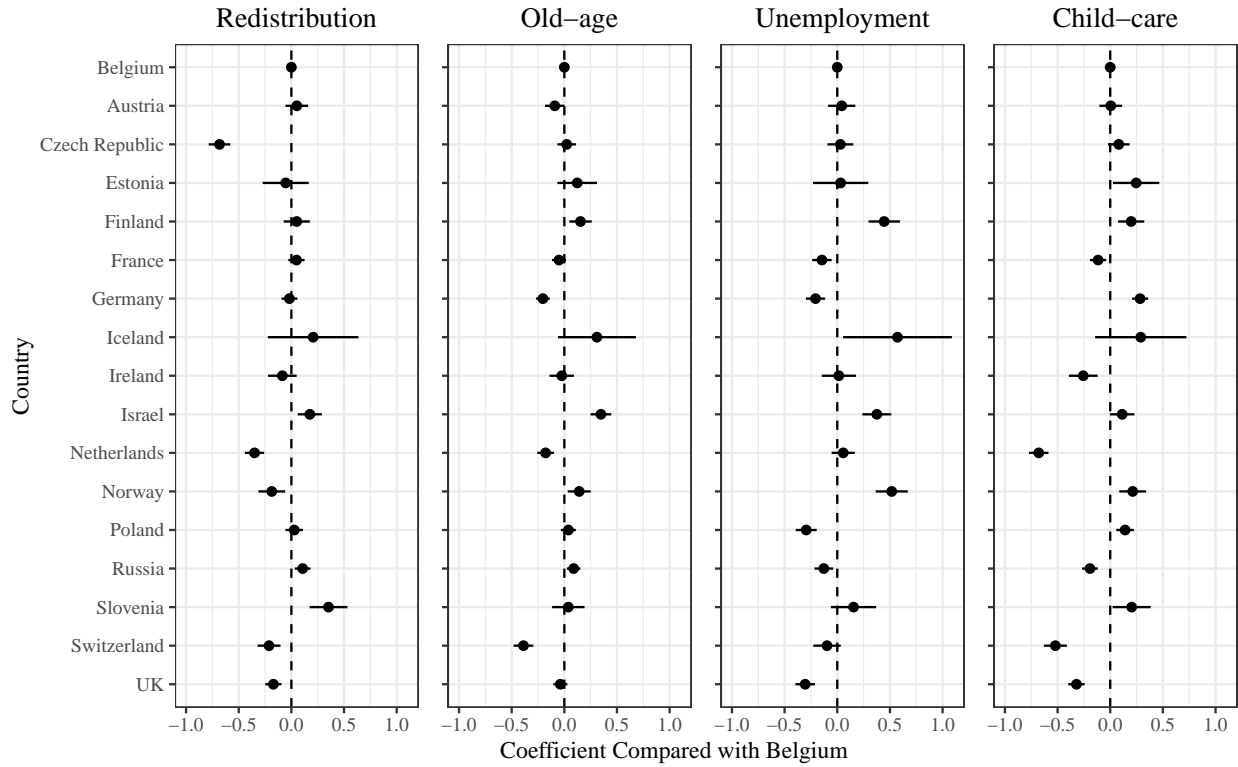
Figure 5.7: *Support for Redistribution: Country Coefficients from OLS Regressions*
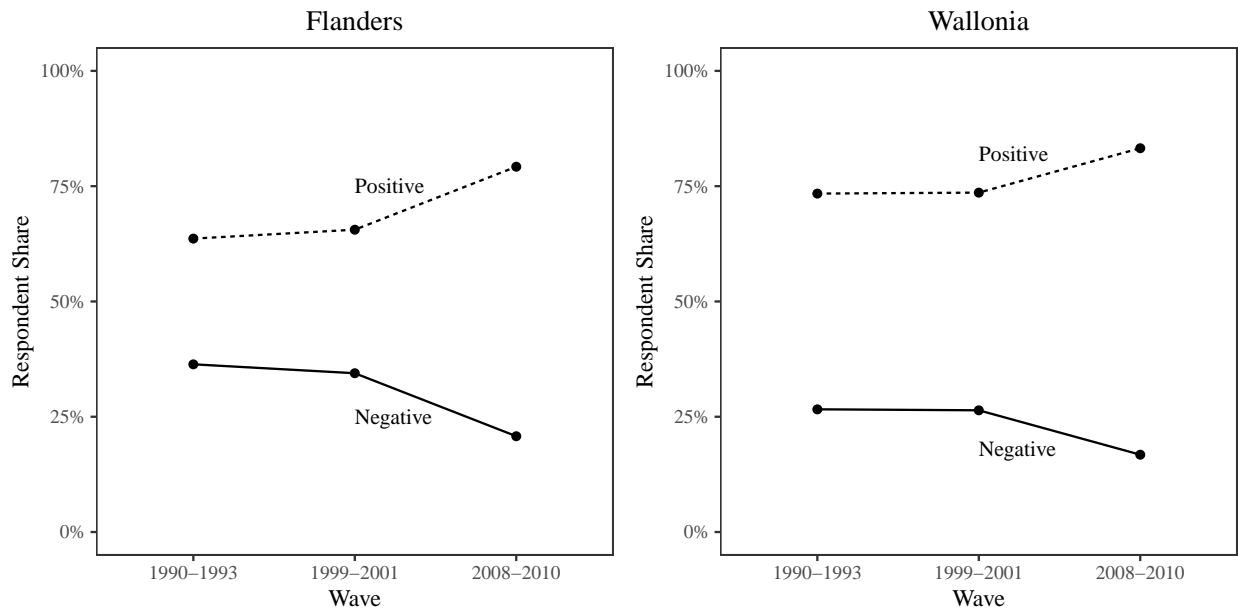
Figure 5.8: *Confidence in Social Security by Region, 1990–2010*

gender, education, church attendance, and full employment, as well as for EVS wave. Holding these attributes constant, Belgians' confidence in social security is higher than all countries but

one.
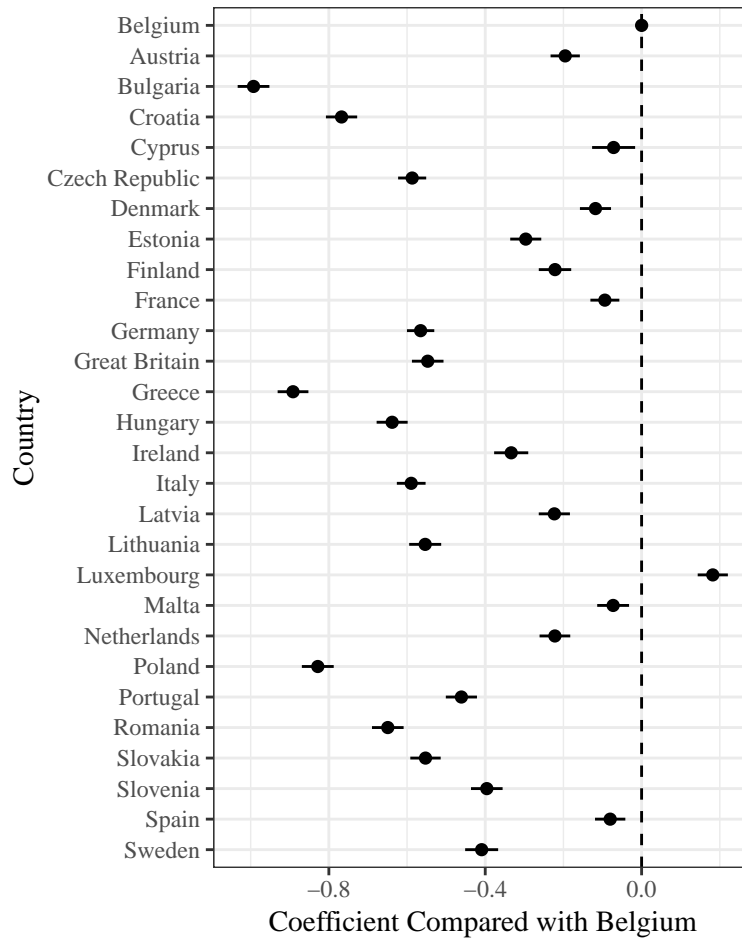
Figure 5.9: *Confidence in Social Security: Country Coefficients from OLS Regression*

As I expect, then, Belgium's tense intergroup relations do not produce weak or conflictual preferences on income redistribution. The data show that most Belgians support public welfare policies express trust in the country's welfare institutions. Despite a small interregional gap, which is consistent with historical left-right differences, these attitudes are shared by large majorities in both groups.

5.3.2.2 Public Discourse and Preferences on Social Security Decentralization

In contrast to general redistribution, the intergroup tensions surface when we shift our gaze to social security decentralization. As noted previously, the pressures to devolve social security

have intensified since the 1990s, particularly in Flanders. Flemish elites have raised two types of arguments in favor of social security decentralization, one functional and the other conflictual. Functionally, given that the communities already manage some social policies, moderate Flemings argue that welfare decentralization would create a more institutionally coherent system. In addition, invoking the core EU principle of subsidiarity, some claim that devolved welfare programs would be better attuned to the preferences and needs of each community (Orsini, 2004; Dandoy and Baudewyns, 2005; Béland and Lecours, 2018).

Other arguments, however, point explicitly to the system's intergroup transfers. Flemish nationalists, in particular, have argued that social solidarity should be strictly communal, exclaiming in one slogan that "every year, every Flemish family pays for a new car for a Walloon family" (Béland and Lecours, 2008, 166). Flemish nationalists, moreover, portray social security transfers to Wallonia as unfair subsidies to a lazy and profligate culture of government dependency. The Flemings, conversely, are described as productive and efficient, squeezed between carefree Walloons from below and the taxes of a corrupt, cosmopolitan elite from above (Dandoy and Baudewyns, 2005; Béland and Lecours, 2008; Jamin, 2011).

The Walloons, expectedly, reject this narrative. Francophone elites have raised several counter-arguments, both factual and normative. From a factual standpoint, Walloon economists have argued that the interregional transfers flow from Flanders due to demographic factors, not cultural or behavioral differences. As such, they argue, the balance would flip once the current economic and sociodemographic conditions change. Furthermore, normatively, francophone elites paint the social security system as a last bastion of national solidarity and unified Belgian identity. Decentralization, they warn, may hasten the disintegration of Belgian society (Dandoy and Baudewyns, 2005; Béland and Lecours, 2008, 2018).

This conflict is reflected well in public opinion. Between 1995 and 2003, the BNES survey asked respondents whether they agree that the social security system should be defederalized. The answers ranged on a 5-point scale between "Completely agree" and "Completely disagree", which I collapse to a 3-point measure of positive, neutral, or negative support for redistributive decen-

tralization. The distribution of answers over time, presented in Figure 5.10, finds an intergroup rift on this issue. In Flanders, a plurality of respondents support social security decentralization and between 22–27% are neither opposed nor supportive. In Wallonia, by contrast, a majority of 61–71% opposes the devolution of social security, although these rates consistently decline since 1999.
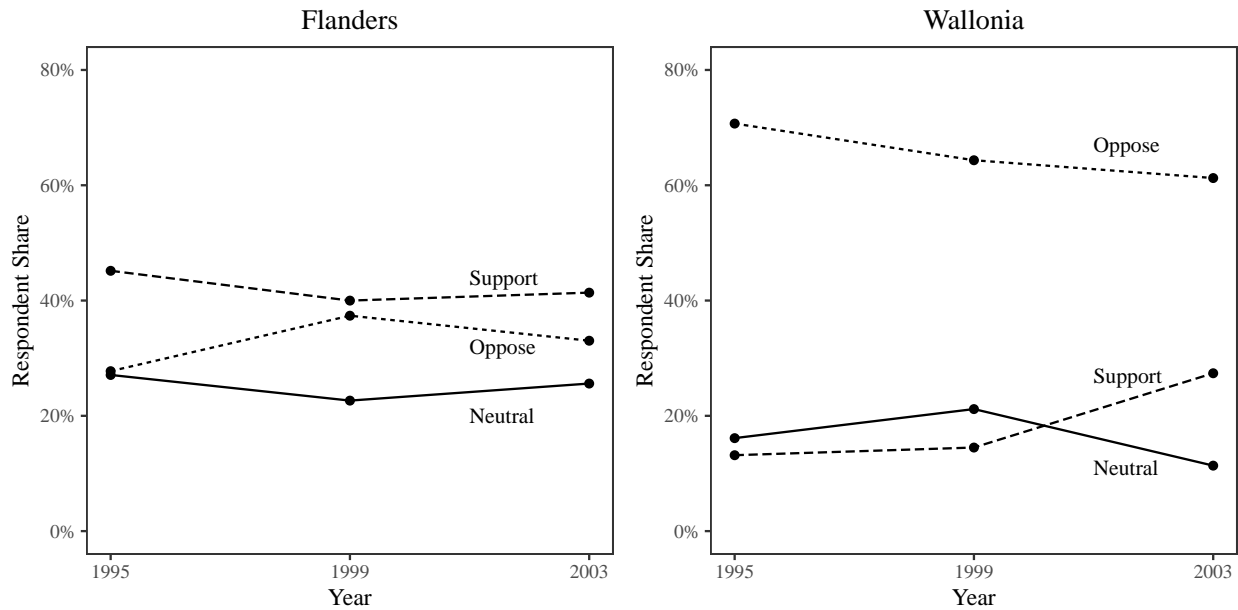
Figure 5.10: *Support for Social Security Decentralization by Region, 1995–2003*

A deeper look at the data corroborates the relationship between support for decentralization and the ethno-linguistic conflict. To see that, I use the most recently available BNES survey from 2007. In this survey, respondents were asked to rate their position on a 10-point scale between "Defederalize social security" and "Federalize social security".[12] I regress their answers on the two variables of group distance used previously: (1) perceived intergroup differences in mentality and lifestyle, and (2) respondents' cultural distance from the other group. I add several sets of control variables. First, I control for differences in age group, gender, education, church attendance, full employment, and the number of children. Second, I add controls for ideological beliefs related

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[12]The change of wording and scale relative to 1995–2003 complicates direct comparison with previous years. While I do not include the 2007 survey in Figure 10, the distribution of answers follows the same pattern: Flemings are equally divided between support and opposition to decentralization, while a majority of Walloons reject it. The exact shares, however, depend on the exact conversion method from a 10-point to a 3-point scale.

to welfare, including level support for redistribution, support for individualist values, and self-identification on a left-right scale.[13] Finally, I add region dummy variables with Flanders as the baseline category.

The results are presented in Table 5.5. As I expect, the perception of major intergroup differences and a larger cultural distance both correlate with increased support for social security decentralization. According to model 1, all else equal, the linear combination of perceiving major group differences and identifying more strongly with a foreign cultural peer increases support for decentralization by 1.7 points (or 17% of the dependent variable's 10-point scale). The significant effect of these two variables remains robust to the inclusion of ideological preferences (model 2) and even regional dummies (model 3). Hence, the relationship between ethno-linguistic tensions and support for decentralization is not an artifact of sociodemographic differences or of a particular region. Moreover, the large size and statistical significance of the regional dummies, even after controlling for individual attributes and beliefs, imply that the disagreement on social security decentralization has become entrenched in interregional identities and politics more broadly and collectively. Finally, to reinforce the point made earlier, model 4 regresses general support for redistribution on the same covariates and does not find that similar implications by intergroup attitudes.

5.3.3 Redistributive Decentralization: Baby Steps Toward Devolution

The final link in my theoretical chain argues that preferences on redistribution, in this case for more decentralization, should lead to actual policy outcomes. However, despite the growing pressures to decentralize social security, Belgium's primary welfare programs remain centralized. Why is this so? And are there any signs of change? A closer look at recent policy developments implies that the pressures for social policy devolution do bear fruit, even if gradually so.

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[13]Support for redistribution is measured using the level of agreement that the government should reduce income differences (4-point scale), individualism is measured as the level of agreement that "in our society everything turns around one's own interest, power and material success. That is why it is better to take care first and only for oneself" (5-point scale), and left-right self-identification is measured on an 11-point scale.

Table 5.5: Support for Social Security Decentralization: OLS Regression

	Support for Social Security Decentralization			Support for Redistribution
	(1)	(2)	(3)	(4)
Intergroup Differences	0.965***	0.756***	0.404*	-0.098
	(0.191)	(0.191)	(0.179)	(0.058)
Cultural Distance	0.711**	0.645**	0.643***	0.040
	(0.216)	(0.212)	(0.191)	(0.061)
Age Group	-0.014	-0.028	-0.089	-0.031
	(0.103)	(0.102)	(0.097)	(0.030)
Female	-0.283	-0.158	-0.113	0.098
	(0.191)	(0.189)	(0.174)	(0.057)
Education	0.124	0.079	0.113	-0.188***
	(0.100)	(0.102)	(0.093)	(0.030)
Religiosity	-0.051	-0.064	-0.094	-0.015
	(0.063)	(0.063)	(0.057)	(0.019)
Full Employment	-0.114	-0.035	-0.063	-0.105
	(0.245)	(0.242)	(0.225)	(0.073)
Number of Children	-0.001	-0.028	-0.055	-0.041
	(0.104)	(0.100)	(0.095)	(0.033)
Redistribution		-0.486***	-0.276**	
		(0.098)	(0.091)	
Individualism		0.331***	0.281**	-0.017
		(0.094)	(0.088)	(0.028)
Right-Wing		0.202***	0.179***	-0.072***
		(0.050)	(0.046)	(0.016)
Wallonia			-2.592***	0.389***
			(0.181)	(0.059)
Brussels			-1.676***	0.121
			(0.282)	(0.097)
Constant	3.275***	3.256***	4.191***	4.535***
	(0.723)	(0.937)	(0.871)	(0.246)
Observations	1,401	1,361	1,361	1,373
R^2	0.040	0.091	0.214	0.114

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Robust standard errors in parentheses.

5.3.3.1 Stability...

Several reasons explain the robustness of Belgium's centralized social security system, most related to elites and institutions. First, beyond public opinion, several political actors stand to lose

from decentralization. These include the francophone parties, whose constituencies in Wallonia may see lower benefits under a decentralized system (Dandoy, Matagne and Van Wynsberghe, 2013). Yet, decentralization is also opposed by national employer organizations and labor unions, including the mostly-Flemish Catholic union, whose institutional power is rooted in the federal system. Unlike the party system, these organizations did not split along regional lines and would thus lose influence in a decentralized system (Béland and Lecours, 2005). Indeed, regionally-organized unions are much more open to social policy decentralization than their national counterparts (Bouteca, Devos and Mus, 2013).

Second, these actors have strong influence due to Belgium's institutional design, which demands high intergroup consensus on major legislation (Béland and Lecours, 2005; Dandoy and Baudewyns, 2005). Currently, to pass structural reforms, the constitution requires both a two-thirds majority vote in parliament and an internal majority within each linguistic party bloc. Moreover, a special provision enables 25% of members in a given linguistic party bloc to withhold any legislation that they claim would hurt their community's interests. Finally, the government must include an equal number of ministers from both groups (Deschouwer, 2006). In this institutional environment, therefore, comprehensive decentralization cannot pass without the support of francophone politicians and other influential social actors.

Finally, there are organizational and regulatory issues that complicate decentralization in practice. First, devolution of such an organizationally and institutionally complex system can only occur slowly and gradually. Furthermore, it must resolve the sensitive issue of Brussels, which lacks a clear linguistic and regional affiliation and includes some of the country's deepest pockets of both prosperity and poverty (Cantillon, 2012). In addition, any reform that would separate welfare programs by ethno-linguistic communities would need to accommodate EU free movement regulations, which require provision of social security benefits to any foreign EU citizen regardless of nationality or territory of origin (Cantillon, Popelier and Mussche, 2011; Giubboni et al., 2017).

5.3.3.2 . . . And Some Change

Taken together, these reasons produce a strong bias in favor of the status quo. Nevertheless, as Belgium's decades-long reform process exemplifies, this environment changes through small, incremental steps. At least two such processes have indeed taken place in the past few years.

The first process involves Flemish efforts to add independent social programs on top of the federal system rather than dismantle it. In 1999, the Flemish legislature passed an independent welfare program providing cash benefits for long-term, non-medical care of dependents (Cantillon, 2011). The program is universal and financed by a special regional flat tax. More importantly, it complements an already-existing federal program for dependency care that uses more selective eligibility criteria. Thus, some Flemish recipients may be eligible for benefits from both programs.

The new program prompted a prolonged legal battle waged by francophone politicians, first in the Constitutional Court of Belgium and later in the European Court of Justice. The Belgian constitutional court ruled in favor of the Flemings, determining that the communities are allowed to develop their own social programs as long as they are within their jurisdictions and do not change the status of federal social security (Cantillon et al., 2006; Béland and Lecours, 2008). The European Court of Justice, meanwhile, determined that exclusion of non-Flemings breaks the EU regulation of free movement, forcing the Flemish community to cover all EU migrants working in Belgium under the plan. Ironically, this ruling now excludes only Walloons and Belgian Germans, who, as native citizens, are not considered EU migrants (Cantillon, 2011; Velaes, 2011).

The sustainment of the Flemish long-term care program had two additional implications. First, it created a race to the top: in reaction to the program, several francophone politicians proposed in the early 2000s to expand the federal long-term care benefits in order to contest and curb the effectiveness of the Flemish program (Béland and Lecours, 2008; Cantillon, 2011). Second, The precedent set with this program opened the door to similar proposals in Flanders. In 2009, for example, the Flemish government promised communal programs for basic hospitalization insurance and additional child allowances (Cantillon, 2012). These proposals, however, were eventually abandoned in 2014 due to budgetary constraints.

The second process toward decentralization has involved new francophone concessions as part of the sixth state reform of 2011, reached by the two sides after the longest period of coalition negotiations in Belgian history (Béland and Lecours, 2018). While the reform mostly protected the social security system, it nevertheless devolved family allowances as well as some old-age and healthcare competencies to the communities. As noted before, these new capabilities were also coupled with increased taxation autonomy at the region level (Deschouwer and Reuchamps, 2013; Goossens and Cannoot, 2015; Béland and Lecours, 2018). This development hints that enduring political crises are another channel through which additional changes may come in the future.

In sum, the social security system remains centralized, mostly due to the lack of an institutionally required consensus among voters and political actors. Yet, the ongoing pressures to decentralize the system, particularly form Flemish actors, gradually erode its centralized and exclusive structure.

5.4 Conclusion: Lessons from the Belgian Case

In summary, despite Belgium's relatively high investment in welfare programs, an in-depth look finds similar processes to the ones outlined in my theoretical framework. Like in other countries with salient ascriptive identities, Belgium's ethno-linguistic politics can be traced back to historical power asymmetries that shaped and politically activated group boundaries. In these processes, Belgium's geographic context—the high regional segregation between Flemings and Walloons—played a particularly significant role in reinforcing these identities, attaching them to specific regions, and fostering two separate political communities with weak intergroup solidarity. Indeed, the data show that the absence of regular contact and the separate cultural, social, and institutional spheres that developed over time have exacerbated intergroup relations. At the same time, I do not find evidence that these factors induce notable interclass conflict. Thus, geography, and not class, has been a key social category in Belgium's ethno-linguistic cleavage.

This context implicates redistributive policies in different ways than in the US. Belgians that express stronger regional identification and out-group distance tend to support decentralization of

social security, not more regressive welfare policies. Moreover, these positions are more common in Flanders, where the regional identity has been historically stronger, more contentious, and more mobilized. The fact that Flanders has grown richer also plays a part, a point to which I return later.

The actual outcomes in Belgium have been more complicated. At first glance, the country's relatively centralized social security system does not align with my theoretical expectations and with the bottom-up pressures that I identify. However, a closer look at Belgium's history, institutional design, and gradual changes tells a different story. Belgium's welfare state developed in a fragmented and localized manner. It was centralized in a critical historical moment in which the country's ethno-linguistic politics and institutional veto points were temporarily diffused. Once these forces reemerged, the centralized system faced growing pressures but was also locked in amid insufficient intergroup and institutional consensus on reforms.

Nevertheless, the centralized system's persistence is particularly useful to expose the underlying pressures for decentralization. A better alignment between institutions and preferences can placate and obscure the latter, as may be the case in other geographically divided democracies. In Belgium itself, as we have seen, the switch to federalism has eased some of the tensions between regional identification and national pride. In the absence of a similar alignment in welfare policies, the agitation surrounding social security decentralization remains vocal and visible. Thus, I find active pressures to devolve redistribution to the regions, particularly by Flemish voters and elites, as well as incremental steps that consistently erode the existing system's centralized nature. Despite their inconclusive and dynamic outcomes, these processes in themselves corroborate my theoretical argument and hint at the future paths to which the Belgian welfare state may be headed.

5.4.1 Mechanisms: Elites, Voters, and Institutions

Like in the American case study, the in-depth examination of Belgium provides additional insights into the mechanisms that connect preferences and actual policy, particularly welfare decentralization. As before, both bottom-up and top-down mechanisms are at play. Belgium's complicated institutional landscape amplifies the influence of various political elites acting on their

own interests. On one side of the debate, actors such as the national labor unions and employer organizations, whose institutional power is embedded in the national system, oppose additional decentralization. On the other side, nationalist and regional parties in Flanders refer to social security decentralization and to interregional transfers to mobilize their voters electorally (Deschouwer, 2013). Like in the US, however, these cues succeed because they address existing grievances and narratives.

In other instances, Belgian elites react more clearly to bottom-up pressures and public opinion. For example, when negotiating the 2011 constitutional reform, the moderate Flemish parties adopted more militant positions on devolution due to the growing popular support for the nationalist New Flemish Alliance (N-VA) party. The francophone parties, meanwhile, were pressured to compromise to convince their voters that, after 541 days without a government, federal institutions were not irreparably broken (Béland and Lecours, 2018). Hence, in Belgium, too, bottom-up public opinion and top-down elite cues seem to operate in tandem. Both, moreover, seem to reflect the same cleavage structures and intergroup tensions on which my argument focuses.

The Belgian case also emphasizes the importance of political institutions in the shift from preferences to redistributive outcomes. The endurance of Belgium's centralized social security owes in large part to the country's multiple veto points and the federal principle of exclusive competencies. With more institutional flexibility, the Flemings could have either passed national reforms or established overlapping regional programs more easily. Yet, in line with my theoretical argument and quantitative findings, these institutional factors have slowed down but not diffused the pressures for decentralization. Rather than comprehensive reforms, we see an ongoing erosion of the central system through incremental steps. Furthermore, these Flemish actions, together with Belgium's continuous constitutional reforms, demonstrate that the country's institutional constraints are themselves endogenous to the bottom-up pressures that they channel. In this sense, they may be better analyzed as contextual parameters that determine the pace and form by which preferences translate to outcomes rather than as independent explanatory variables.

5.4.2 Geography and Class

Finally, Belgium also illustrates the secondary role that class can play in highly segregated democracies. First, economic differences can deepen intergroup tensions even as the latter develop around regional identities. For example, the economic underdevelopment of Flanders during the country's early decades contributed to the region's linguistic discrimination by francophone elites, a grievance that became central in the Flemish national narrative. Second, class differences can exacerbate redistributive tensions, even if not as deeply as in cases like the US. Hence, after the economic tables turned, the nationalistic Flemish rhetoric has begun to emphasize Wallonia's parasitic reliance on Flemish income. Moreover, the economic differences may partly explain the lower support for social security decentralization in Wallonia, which would rely on a smaller pool of income in this case.

At the same time, the evidence shows that class has remained secondary to geography. First, the Flemish nationalist movement, as well as its reference to economic issues, emerged decades before the region's economic surge (Boehme, 2008). Second, the initial push toward federalization preceded the current economic gap and expands beyond purely redistributive questions. Indeed, the demands to decentralize Belgium's institutions, including social security, have appeared as early as the 1960s, when the regions were relatively equal economically and their members identified in similar socioeconomic terms (McRae, 1986; Erk, 2003). Finally, as we have seen, there is no evident backlash against the country's welfare institutions or redistributive priorities, implying that this did not become an interclass conflict.

Another approach to this question is through a counter-factual thought experiment (Fearon, 1991). We can imagine an almost-identical universe in which the economic gap between Flanders and Wallonia would have remained low from the 1970s onward. It is hard to suppose that this difference would have halted the schismatic processes that were already in motion: the decline of the old cleavages of church and class, the ongoing formation of separate cultural communities, the growing salience of ethno-linguistic politics since the interwar period, and the first steps that were already taken toward institutional federalization. It is admittedly plausible that higher equality

would have moderated some of the extremist rhetoric toward interregional transfers on the Flemish side, though it may also have weakened francophone protection of centralized social security. In fact, this scenario would have been closer to the perfect theoretical case of regional segregation discussed in Chapter 2, which predicts mutually agreed upon devolution. Hence, it seems implausible to argue that this conflict is driven primarily by the economic differences of the late-twentieth century. The next chapter, which focuses on Spain, examines how these dynamics unfold given a deeper and stabler interregional inequality between segregated identity groups.

<center>**CHAPTER VI**</center>

Language, Interregional Inequality, and Redistribution in Spain

6.1   Introduction

The United States and Belgium highlight the redistributive implications of high intergroup inequality and regional segregation, each in turn, where the other factor plays a secondary role. In this chapter I examine the case of Spain, where both intergroup inequality and segregation have been historically intertwined with the country's ethno-linguistic diversity. Similar to Belgium, Spanish society comprises several ethno-linguistic communities concentrated in distinct geographical regions. Yet, whereas the economic balance between Flemings and Walloons shifted and changed over the past half-century, Spain has experienced enduring interregional inequality since its imperial days. The country's redistributive policies, meanwhile, combine above-average public spending with relatively high income inequality after taxes and transfers. Moreover, there are continuous tensions and reforms related to interregional redistribution and welfare decentralization. What role does the combination of ethno-linguistic diversity, intergroup inequality, and geography play in these outcomes? In exploring this question, the Spanish case reinforces my previous findings and adds important nuances.

Any discussion of ascriptive identities in Spain requires certain simplifications and boundary setting. Spain is divided into seventeen administrative regions, known as Autonomous Communities (henceforth ACs), most of which are named after ancient kingdoms with rich local histories.[1]

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[1] In addition to the seventeen ACs, Spain also has two autonomous cities, Ceuta and Melilla, which reside on the

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Modern Spanish society, accordingly, consists of a spectrum of regional identities that vary by their depth and distinctness. On this spectrum, however, language has consistently stood out as a fundamental ethno-cultural marker that runs deeper than other regional characteristics (Moreno, 2001*b*; Moreno and Colino, 2010). Of the country's seventeen ACs, six have their own co-official languages: the Balearic Islands, the Basque Country, Catalonia, Galicia, the Valencian Community, and Navarre (which, unlike the previous five regions, accommodates only a minority of Basques). Of these six regions, the first five have cultivated distinct linguistic, cultural, and in some cases nationalistic, identities. Using Latinobarometer survey data from 2017, the left-side panel in Figure 6.1 depicts the share of respondents in each AC that are fluent in their communal language in addition to official Castilian Spanish. The five regions mentioned above clearly stand out.
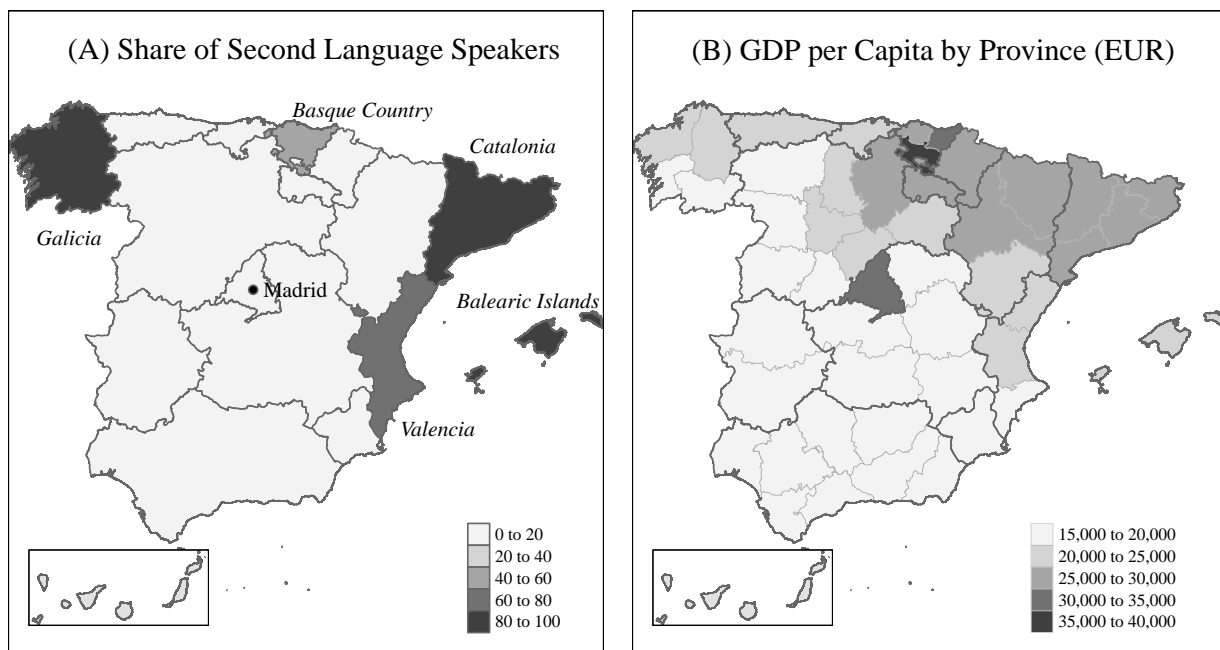
Figure 6.1: *Language and Wealth in Spain*

Some of these ethno-linguistic communities are also marked by their relative wealth. The right-hand panel in Figure 1 maps provincial GDP per capita in 2015 using Eurostat data. Spain's North-Eastern regions are notably richer than the rest of the country, with the exception of Madrid. These patterns are historical: both Catalonia and the Basque Country have ranked among the country's

Northern shores of Africa. Both cities have the right to declare themselves ACs, although neither had done so yet. My analysis disregards both cities given their unique political status, geographical location, and size.

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most affluent regions as early as the mid-nineteenth century (Ramón Rosés, Martínez-Galarraga and Tirado, 2010). Valencia and Galicia, by contrast, did not experience similar economic development. Galicia, in particular, was one of the country's poorest regions until the second half of the twentieth century. This twofold variation—separate ethno-linguistic identities versus no particular ones and rich versus non-rich regions—offer a good opportunity to test empirically how both factors operate together in shaping redistributive policy.

Theoretically, I expect to find concurrent influences of both geography and inequality in cases like Spain. First, due to regional segregation, groups with distinct ascriptive identities should have a stronger preference to decentralize welfare programs to their respective regions. Second, due to socioeconomic inequality, richer groups should prefer to minimize income redistribution to poorer ones. As these two forces combine, I expect that ethno-linguistic groups in richer regions would exert the strongest pressures to decentralize welfare provision and to limit interregional income transfers. Poorer identity groups, by contrast, face conflicting pressures: they may prefer to share their income only with in-group members but, at the same time, they benefit from increased interregional transfers from richer groups. Accordingly, their support for welfare decentralization should be weaker and less consistent.

My theoretical framework does not consider regional groups without separate ascriptive identities. Nevertheless, its logic implies that these groups should have more inclusive national solidarity than the former two types, and, therefore, develop weaker preferences for welfare decentralization. At the same time, regardless of ascriptive identities, the literature on interregional inequality tells us that richer groups should attempt to minimize interregional transfers due to their economic interests (Wibbels, 2005; Beramendi, 2012). My empirical analysis in this chapter combines and contrasts this argument with the broader dynamics of identity politics. While I expect richer groups without unique ascriptive identities to oppose interregional transfers more strongly than poorer ones, their preferences should not stem from stronger in-group solidarity or from a desire to decentralize service provision. Accordingly, I expect that the magnitude of their opposition to interregional transfers would be weaker than richer groups for whom economic interests are reinforced by as-

criptive identities. Hence, support for welfare decentralization and opposition to interregional redistribution should be (1) strongest among richer identity groups, (2) medium among poorer identity groups and rich non-identity groups, and (3) weakest among poor regions without distinct ethno-linguistic identities.

The Spanish case corroborates these expectations. Like the previous two chapters, I begin with a brief historical survey of the country's intergroup relations, with a particular focus on the role played by both geography and interregional wealth differences. I find that the high levels of economic development in richer ethno-linguistic regions, especially Catalonia and the Basque Country, contributed to the development and robustness of their exclusive identities, their aspirations for autonomy, and their tensions with the central government. Using recent public opinion data, I show that members of richer ethno-linguistic communities express stronger regional identification and weaker interregional and interclass solidarities than all other regions.

The second part of the chapter expands the discussion to redistributive outcomes and preferences. Spain's welfare policies and control over regional tax revenues have been undergoing a gradual and asymmetrical process of decentralization, often led by the actions of richer ethno-linguistic regions. Furthermore, public opinion data find that members of these groups show the strongest support for welfare decentralization and for limited interregional redistribution. By contrast, residents of poorer regions with unique ascriptive identities express positive but weaker support for welfare decentralization and do not oppose interregional redistribution as strongly. Richer regions without unique identities, too, oppose interregional transfers more weakly than their ascriptively unique counterparts. The actual policy outcomes, I find, are thus formed through a political tug of war between these different actors and reflect their relative political leverage at different times, an important nuance for cases with multiple minority groups.

6.2 Intergroup Inequality, Segregation, and Group Relations in Spain

6.2.1 Historical Development

Spain is a relatively new democracy, having democratized in 1978 after a long period of military dictatorship and an earlier imperial past. All three periods played a part in the construction of the country's multicultural composition and intergroup relations. Let us briefly consider each in turn.

6.2.1.1 Fragmentation and Unequal Economic Development under the Spanish Empire

The roots of Spain's ethno-linguistic diversity derive from the political and economic structure of the Spanish Empire, which reigned from the late fifteenth to the early twentieth century. The Spanish crown united multiple medieval kingdoms and smaller territorial units in the Iberian peninsula, grating them high levels of administrative and cultural autonomy in the process. Over the centuries, even as other European powers industrialized, centralized their institutions, and homogenized their cultures, the Spanish crown continued to direct most of its attention to colonization and wars. Despite some institutional reforms in the eighteenth century, the empire remained administratively fragmented throughout most of its existence. This institutional environment provided large spaces for peripheral ethno-linguistic identities to survive and thrive with little interruption (Beramendi, 1999; Lecours, 2001; Moreno, 2001*b*; Balfour and Quiroga, 2007).

Economic inequality played a central part in the modern trajectories of these identities. By the nineteenth century, the Spanish Empire was mired in a series of crises at home and overseas, including the loss of its colonies. While the central government faced increasing political and economic pressures, the country's Northern periphery, particularly Catalonia and the Basque Country, made significant economic strides (Ramón Rosés, Martínez-Galarraga and Tirado, 2010; Díez-Minguela, Martínez-Galarraga and Tirado-Fabregat, 2016; Tirado, Díez-Minguela and Martínez-Galarraga, 2016). Catalonia, which was historically richer due to agriculture and trade, became a center of industrialization in the nineteenth century, especially in textile production. The Basque Country, meanwhile, developed a prosperous heavy metal industry based on the region's iron ore

reserves (Shubert, 1990; Beramendi, 1999; Moreno, 2001*b*). In both regions, economic growth was accompanied by a network of local administrative, fiscal, and social institutions (Lecours, 2001).

The country's asymmetrical economic development complicated these regions' relations with the central government. On the one hand, both regions remained aligned with the crown, which provided helpful protectionist policies and relatively high levels of autonomy (Beramendi, 1999; Moreno, 2001*b*; Balfour and Quiroga, 2007). On the other, the incongruence between the economically developed periphery and the political center in Madrid sowed continuous tensions. In cases like France, where political and economic power overlapped, the rich political center successfully integrated and homogenized the poor countryside (Weber, 1976). Catalan and Basque elites, by contrast, were critical of the central government's poor performance and protective of their political power, regional institutions, and ethno-linguistic identities. Moreover, both communities formed nationalist movements to protect their autonomy, a common phenomenon in cases where the periphery economically outperforms the political center (Gourevitch, 1979; Laitin, 1991). In Catalonia, where economic growth developed more smoothly, the nationalist movement gained an inclusive, cross-class following. In the Basque country, where industrial development was sudden and drew an inflow of non-Basque workers, the national movement took a more defensive and ethnically exclusive stance (Díez Medrano, 1995; Balfour and Quiroga, 2007). Yet, despite their differences, both movements reflected a similar effort to protect and extend regional autonomy in the face of a seemingly backward central government.

The importance of economic development in these processes is further underscored by the different path taken by Galicia and Valencia. Like the Catalans and the Basques, Galicians and Valencians maintained unique languages and cultures over the centuries. However, neither region experienced high levels of industrialization. Galicia remained underdeveloped and rural until the second half of the twentieth century. Consequently, the region lacked a substantial middle class and consisted mostly of peasants and landed elites aligned with the Catholic Church (Beramendi and Núñez, 1995; Losada, 1999). Valencia established local institutions and a short-lived silk industry

in the fifteenth and sixteenth centuries, but this progress was later reversed due to a series of local and regional wars (Archilés and Martí, 2001). By the nineteenth century, neither Galicia nor Valencia had robust local institutions, modern elites seeking larger autonomy, or mass nationalist movements. Hence, despite their unique linguistic and cultural characteristics, both regions more willingly accepted the leadership of Spain's central government.

6.2.1.2   Oppression and Co-Optation under Franco

The eventual collapse of the empire provided short-term momentum for regional movements of all kinds and sizes. In 1931, after several decades of monarchical restoration and military rule, a new democratic constitution was adopted for what became the Second Spanish Republic. Written by Spain's republican and progressive camps, the new constitution recognized the right of regional communities to gain subnational autonomy under the republic. The unified Catalan movement was quick to exercise this right in 1932, followed by the slower but eventually successful Basques (Díez Medrano, 1995; Beramendi, 1999; Moreno, 2001*b*). Inspired by these advancements, a budding Galician nationalist movement passed its own statute of autonomy in 1936 (Beramendi and Núñez, 1995; Losada, 1999). Other regional movements, albeit smaller and more fragmented, made similar preparations as well (Balfour and Quiroga, 2007). This momentum, however, came to a sudden halt in 1936 due to the Spanish Civil War and the eventual victory of the Nationalist rebels led by Franco.

Franco's totalitarian regime, with its conservative and fascist agenda, oppressed the regional movements and imposed a single Castilian identity across the country. The results of this oppression, too, reflected interregional economic inequalities. The Catalan and Basque movements, both richer and more developed institutionally, faced stronger persecution. At the same time, their economic and social capital helped sustain local networks, civil society organizations, and active governments in exile. Furthermore, both movements have become identified internationally with the pro-democracy camp (Díez Medrano, 1995; Beramendi, 1999; Balfour and Quiroga, 2007). Poorer Galicia and Valencia, by contrast, integrated into the new order and formed useful clientelistic ties

with the authoritarian government. Despite its advancement during the Second Republic, the Galician nationalist movement was disbanded after Franco took power and struggled to remain unified (Beramendi and Núñez, 1995; Losada, 1999; Archilés and Martí, 2001).

6.2.1.3 Asymmetrical Autonomy and Mimesis after Democratization

Franco's death in the 1970s ushered in a new democratic era. The new Spanish constitution of 1978 attempted to balance national unity with recognition of the country's subnational communities (Linz and Stepan, 1992; Martínez-Herrera and Miley, 2010). The result was open-ended and asymmetrical. While the constitution refrained from setting up a formal federation, it established the seventeen ACs and granted them the right to claim greater self-rule. The extent of this autonomy, however, was unspecified and left to be determined through political bargaining. At the same time, the constitution specifically granted more powers to Catalonia, the Basque Country, and Galicia, whose statues of autonomy were approved under the Second Republic. In similar recognition of past arrangements, the Basque Country and Navarre were given broader fiscal autonomy, a point that I discuss in more detail later. The rest of the ACs, by contrast, were required to undergo longer processes involving regional referenda and national legislation to gain similar powers (Moreno, 2001*b*; Moreno and Colino, 2010; Beramendi, 2012).

The following decades consisted of the gradual expansion of AC autonomy. Between 1980 and the early–2000s, all ACs established regional governments and parliaments and were given more authority over various domestic issues (Losada, 1999; Argullol and Bernadí, 2006; Beramendi, 2012). This gradual decentralization unfolded asymmetrically and through mimesis, or imitation, to borrow a term from Moreno (2001*b*). ACs with unique ethno-linguistic identities were typically the first to claim new authorities, often with the goal of aligning political power with their ascriptive communities. Indeed, these ACs quickly used their expanded powers to embed their particularistic languages, symbols, and cultures into their public spheres (Moreno, 2001*b*; Balfour and Quiroga, 2007). Over time, their steps were copied by the other ACs, whose main motivation was to equalize resources and political power to the former. Moreover, despite their more

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functional motivation, local politicians in these regions have begun to invoke regional identities to mobilize their voters, even when affiliated with the large national parties (Núñez, 1999; Beramendi, 1999; Moreno, 2001*b*; Flynn, 2004; Moreno and Colino, 2010). Thus, Spanish politics has become more territorial over time, including stronger regional attachment even in the absence of unique ethno-linguistic characteristics.

Yet, identity and wealth still carry substantive weight. Unlike most other ACs, large shares of Catalan and Basque voters consistently support their regional parties in both local and national elections. These richer regions, moreover, have broadened their demands for political and economic autonomy in recent years, including unilateral steps that put them in direct conflict with the central government and constitutional court (Colino, 2009; Moreno and Colino, 2010; Martínez-Herrera and Miley, 2010). While Galicia's and Valencia's unique languages and cultures were revitalized under the AC system, their regional parties have remained secondary to the national Conservative and Socialist parties, even in regional politics (Losada, 1999; Archilés and Martí, 2001). Hence, despite the growing territorial nature of Spanish politics, the country's ethno-linguistic and economic division lines remain active to this day.

6.2.2 Implications for Group Relations

How does this context shape group identities and solidarities in Spain? My analysis of the US and Belgium, which discussed cleavages with two primary groups, paid particular attention to direct intergroup resentments. The Spanish case is different due to the multitude of ethno-linguistic minorities and their historically complex relations with the central state. Consequently, rather than a series of dyadic rivalries, Spain's peripheral ethno-linguistic identities have evolved against the dominant center and vice versa (Muro and Quiroga, 2005). Theoretically, I expect that ethnolinguistic groups from richer regions would develop the most exclusive solidarities. As we shall see, the data support this expectation.

6.2.2.1 Regional, National, and Dual Identities

The tensions between Spain's multiple peripheral identities and the political center do not mean that there are no group-specific stereotypes. Yet, unlike in Belgium, these stereotypes do not seem unusually toxic or unusual. A survey conducted in 1994 by the Centro de Investigaciones Sociologicas (CIS, survey 2123) asked Spanish respondents to pick several adjectives that best describe members of various other communities. Residents of Madrid, the country's rich and busy capital, were expectedly described by others as insolent and arrogant but also as good people. Members of more rural regions, conversely, were perceived by other groups as cheerful and friendly. Catalans, Basques, and Galicians were all seen as having a strong connection to their lands, although the richer Catalans were also described as industrious and stingy while the poorer Galicians were perceived as good people (for similar findings, see Ros, Cano and Huici, 1987). Another survey from 1996 (CIS survey 2228) asked respondents to rank each community on a 1–10 favorability scale. Whereas all other communities received an average score between 6.66 and 7.48, the average number was 5.53 for Catalans and 5.82 for Basques. Hence, there indeed appears to be a more fundamental tension between these minorities and the rest of Spain.

Overall, Spain's institutional decentralization allowed most regional identities to complement the national Spanish identity rather than threaten it (Lecours, 2001; Balfour and Quiroga, 2007; Martínez-Herrera and Miley, 2010). Accordingly, when facing a choice between the two, a large share of Spaniards assign equal weight to their regional and to their Spanish identities (Moreno, 2001*b*; Martínez-Herrera, 2002; Moreno and Colino, 2010). This pattern is shown in Figure 6.2, which plots levels of regional versus national identification since 1980.[2] The graph summarizes answers to what is known as the Moreno question (e.g., Moreno, 2001*b*), which asks respondents whether they identify exclusively with Spain, more with Spain than with their region, with both equally, more with their region than with Spain, or exclusively with their region. I collapse this 5-point scale into three categories: stronger Spanish identification, equal identification, or stronger

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[2]The data from 1996 onward is based on multiple CIS surveys, while earlier data are from Martínez-Herrera (2002). I omit missing or inconclusive answers from the calculation.

regional identification.
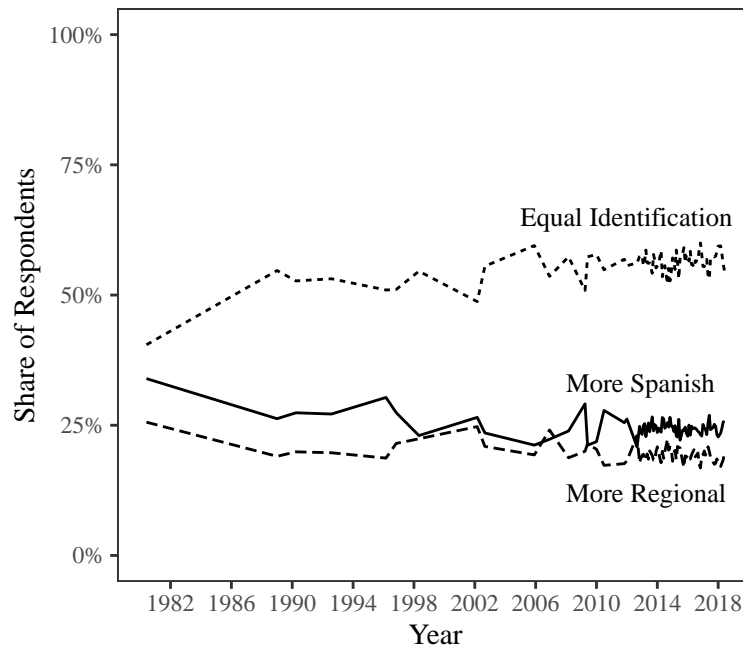
Figure 6.2: *National versus Regional Identification, 1980–2018*

The data show that dual identification grew during the early 1980s and has remained stable since. In the past three decades, about half of Spaniards have defined their identity as such. The prevalence of dual identification may explain two seemingly contrasting cross-sectional findings from earlier chapters: Figure 4.6 in Chapter 4 shows that, on average, Spanish respondents express relatively high regional identification compared to other countries, although Figure 5.4 in Chapter 5 finds that Spaniards, contrary to Belgians, are not less proud of their country than most other foreign nationals.

The level of identification, however, varies by ethno-linguistic identity and regional wealth. To consider these factors, I categorize Spain's seventeen ACs based on their identity and income. Using the data mapped in Figure 6.1, I code ACs as having a unique ethno-linguistic identity if they have a second co-official language with a double-digit fluency rate. I then differentiate between rich and poor ACs based on whether their regional GDP per capita is higher or lower than Spain's national GDP per capita (calculated using Eurostat averages from 2007–2015). The results of this typology are summarized in Table 6.1.

Table 6.1: *A Typology of ACs by Identity and Wealth*

	Ethno-Linguistic Identity	*No Ethno-Linguistic Identity*
Rich	Balearic Islands	Aragon
	Basque Country	La Rioja
	Catalonia	Madrid
		Navarre
Poor	Galicia	Andalusia
	Valencia	Asturias
		Canary Islands
		Cantabria
		Castilla and León
		Castilla-La Mancha
		Extremadura
		Murcia

In what follows, I use the four regional categories as proxies for their local ethno-linguistic communities (or lack thereof). In reality, the match between region and ethno-linguistic community is imperfect. Indeed, Spain has experienced regular interregional migration over the years. A recent survey conducted in Catalonia in 2017 (CIS survey 3202), for example, found that 22% of respondents were born in other ACs and an additional 5.7% were born abroad. This matters: residents whose native tongue is the regional language show stronger AC identification and are more likely to define their communities as unique nations (Bollen and Díez Medrano, 1998; Chernyha and Burg, 2012). Yet, regions remain a useful unit of analysis for both theoretical and empirical reasons. First, ACs with large ethno-linguistic communities embed their languages, histories, and cultures in the education system and in the public sphere. Indeed, while new migrants to Catalonia and the Basque Country express stronger national identification than native residents, the first and second generations born in these regions show more exclusive regional identities (Martínez-Herrera, 2002; Miley, 2008). Second, from a practical perspective, this measure is necessary since most surveys do not ask respondents about their family origin or native tongue. Finally, the noise added by outsiders should dilute the expected effect of in-group membership rather than inflate it. Hence, meaningful regional variations along ethno-linguistic lines should be considered more, not less, robust.

With this caveat in mind, let us consider how respondents' level of identification varies by the four types of ACs. Using data from a recent survey (CIS survey 3217, June 2018), Figure 6.3 breaks down answers to the Moreno question by region type. The differences along identity and wealth are clear. Regional identity is strongest only in regions that have both a unique ethno-linguistic identity and above-average regional income. Respondents from poorer ACs show strong dual identification regardless of whether they have a unique ethno-linguistic identity or not. Finally, most respondents in richer ACs without distinct ascriptive identities pick Spain over their regions. This pattern fits the historical landscape described earlier: a strong political center that promotes the national Castilian identity, poorer regions that maintain unique identities but depend on the state politically and financially, and richer and more independent ethno-linguistic peripheries that push back against the center.
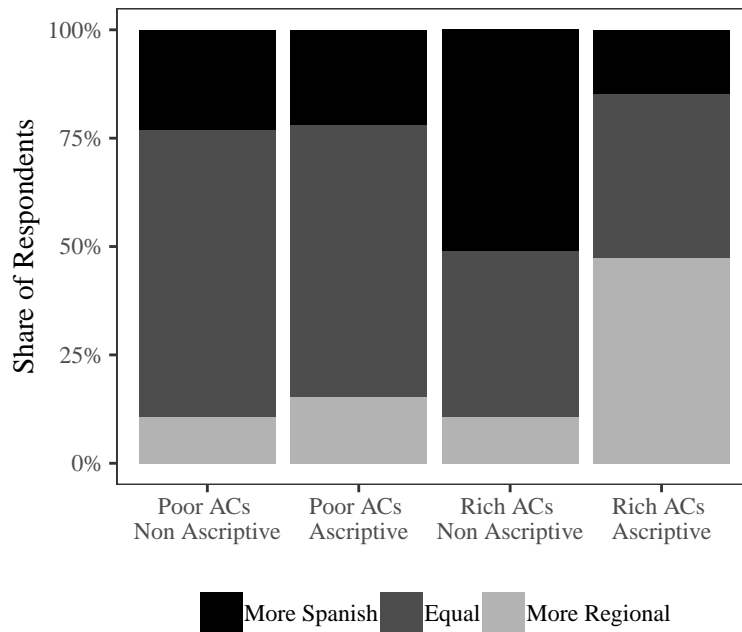
Figure 6.3: National versus Regional Identification by Region Type, 2018

These findings should not imply that ethno-linguistic identities are only salient in richer regions. A survey conducted in 2006 (CIS survey 2667) asked respondents whether they agree that regional languages are just as Spanish as the primary Castilian dialect. The share of positive agreement in ACs with unique ethno-linguistic identities was similar regardless of their wealth,

reaching 80.3% in poorer regions and 82.9% in richer ones. By contrast, only 65.7% of respondents from other regions agreed with this statement. Likewise, a survey conducted in 2012 (CIS survey 2956) asked respondents to pick the most important aspect of Spain's AC system. Comparatively high shares of Basques (22.7%), Catalans (29.2%), and Galicians (25%) mentioned the defense of unique territorial identities as the AC system's most important role. Only 14.8% of all other respondents selected this option. Hence, ACs with unique ethno-linguistic identities share a concern for their legitimacy and status regardless of their wealth. Their differences emerge once we turn to tensions with the central Spanish identity. As I discuss next, these factors also shape interregional and interclass solidarities.

6.2.2.2 Regional versus Class Solidarity

I consider how identity, geography, and wealth affect national and class solidarities using survey data from 2006 (CIS survey 2667). I focus on two different outcomes. The first dependent variable gauges national solidarity by the level of agreement with the following statement: "Spain must remain united to ensure equality between all citizens and solidarity between the different Autonomous Communities". The answers range on a 5-point scale between "strongly disagree" and "strongly agree". The second dependent variable measures the tension between regional and class solidarity using the following binary question: "With which of these two people would you say you have more in common: (1) a person from the rest of Spain and from the same class or social stratum as you, or (2) a person from your community and from a different class or social stratum than you".

I use two primary explanatory variables based on my earlier discussion. First, I examine the strength of regional identification using the Moreno question analyzed above. As explained before, the answers range on a 5-point scale from exclusive Spanish identification to exclusive regional identification. Second, I include dummy variables for three of the four AC types in my earlier typology. The fourth type, poorer regions without unique ethno-linguistic identities, serves as the omitted baseline category. Finally, I control for age group, gender, education level, church

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attendance, and full employment.

Table 6.2 presents OLS estimations of the first dependent variable, national solidarity. As expected, weaker Spanish identification is correlated with lower feelings of national solidarity. According to model 1, all else equal, a switch from exclusive Spanish identification to exclusive regional identification should subtract 1.3 points of national solidarity (26% of the dependent variable's 5-point scale). The three AC types also produce their expected effects. Model 2 finds that solidarity is weakest among respondents from rich ACs with unique ethno-linguistic identities (0.93 fewer points, or 18.6% of the dependent variable's scale, than poor regions without unique identities). Respondents from poorer ethno-linguistic regions are also less solidary than regions without such identities, although the difference is smaller in size (0.25 fewer points, or 5% of the dependent variable's scale). Finally, there is some statistically significant difference between rich and poor regions without unique ascriptive identities, but its size is minuscule. Model 3 verifies that the effects of regional identification and AC types remain substantively unchanged when estimated together.

Table 6.3 shows logistic regression estimations of the second outcome of interest, the probability that respondents prefer their class over their region rather than vice versa. As before, a stronger regional identification has the expected effect: according to Model 1, an additional point closer to the regional end of the Moreno scale lowers the probability of choosing class over region by an average of 14.5%. According to Model 2, residence in either type of ethno-linguistic regions leads to lower interclass solidarity compared to regions without such identities. Specifically, respondents from richer and from poorer ethno-linguistic regions have, respectively, a 48% and a 53.8% probability of choosing their class over region. By contrast, this probability is estimated to be 62% and 70.3% for respondents from rich and from poor regions without unique identities. Model 3 finds that the small probability gap between richer and poorer ethno-linguistic regions disappears once we control for differences in regional identification. This outcome implies that stronger regional identification may be one of the mediating mechanisms that differentiate the former from the latter when it comes to interclass solidarity.

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Table 6.2: *National Solidarity: OLS Regression*

	(1)	(2)	(3)
Regional Identification	-0.322***		-0.267***
	(0.020)		(0.020)
Ethno-Linguistic Rich		-0.930***	-0.865***
		(0.048)	(0.044)
Ethno-Linguistic Poor		-0.254***	-0.266***
		(0.040)	(0.040)
Non Ethno-Linguistic Rich		-0.093*	-0.161***
		(0.044)	(0.046)
Age Group	-0.000	0.024*	0.020
	(0.012)	(0.011)	(0.011)
Female	0.019	0.017	0.034
	(0.036)	(0.033)	(0.033)
Education	-0.072***	-0.068***	-0.060***
	(0.013)	(0.012)	(0.012)
Religiosity	0.087***	0.064***	0.041**
	(0.015)	(0.014)	(0.014)
Full Employment	-0.040	0.058	0.039
	(0.036)	(0.034)	(0.034)
Constant	5.251***	4.437***	5.258***
	(0.107)	(0.079)	(0.106)
Observations	2,838	2,973	2,838
R^2	0.164	0.207	0.289

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Robust Standard errors in parentheses

Taken together, these findings support my hypotheses. First, both types of regions with unique ethno-linguistic identities express more exclusive forms of solidarity than regions without them. Second, within ethno-linguistic regions, richer ones express more exclusionary and less solidary preferences than poorer ones. In the next section, I find that these factors also correlate with redistributive preferences and policies.

Table 6.3: *Interclass Solidarity: Logistic Regression*

	(1)	(2)	(3)
Regional Identification	-0.653***		-0.612***
	(0.052)		(0.053)
Ethno-Linguistic Rich		-0.573***	-0.392**
		(0.115)	(0.123)
Ethno-Linguistic Poor		-0.340**	-0.414**
		(0.123)	(0.129)
Non Ethno-Linguistic Rich		0.375**	0.196
		(0.132)	(0.140)
Age Group	-0.078*	-0.056	-0.071*
	(0.032)	(0.031)	(0.033)
Female	0.031	-0.020	0.026
	(0.093)	(0.088)	(0.093)
Education	-0.033	-0.033	-0.041
	(0.033)	(0.032)	(0.034)
Religiosity	-0.070	-0.061	-0.086*
	(0.038)	(0.037)	(0.040)
Full Employment	0.087	0.134	0.126
	(0.094)	(0.090)	(0.095)
Constant	2.720***	0.835***	2.737***
	(0.275)	(0.215)	(0.279)
Observations	2,126	2,220	2,126
Pseudo-R^2	0.064	0.021	0.073

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors in parentheses

6.3 Intergroup Relations and Redistribution

6.3.1 Historical and Institutional Context

6.3.1.1 Welfare Development After Franco

Like the country's broader democratic consolidation, Spain's welfare state has had to catch up with the rest of Europe since the late 1970s. Initial social insurance schemes (old-age, disability, and unemployment) date back to the 1960s, still under Franco, when they were relatively limited and served the regime's paternalistic interests (Arriba and Moreno, 2005; Gallego, Gomà and Subirats, 2005). In lieu of state-provided services, the middle class relied mostly on familial networks and on cheap private services, while the poor received assistance from voluntary charities and other

social organizations backed by the Catholic Church (Moreno, 2001*a*; Dubin, 2019).

Spain's transition to democracy brought extensive changes. Starting in the 1970s, Spanish authorities have continuously expanded public social spending, primarily on core social security programs (Moreno, 2001*a*). The new welfare system had several key features found in other Southern European countries as well: (1) relatively generous old-age and unemployment benefits based on payroll contributions, (2) universal healthcare funded by general tax revenues, and (3) underdeveloped and narrow social assistance programs (Ferrera, 1996; Moreno, 2000; Gallego, Gomà and Subirats, 2005). This system consolidated and expanded further during the 1980s and 1990s, including broader old-age, disability, and unemployment coverage, means-tested supplements within social security, and elimination of several clientelistic benefits (Guillén and Matsaganis, 2000; Moreno, 2001*a*; Arriba and Moreno, 2005). The responsibility for non-contributory social assistance, however, was devolved to the ACs and as such developed more slowly and asymmetrically.

As this structure implies, Spain's welfare policy has developed unevenly. In particular, core social security programs were regularly expanded under the watch of the national government, while other services were devolved to the AC level and remained more limited. This partial decentralization has unfolded along two interrelated fronts: higher autonomy in welfare provision (the expenditure side) and higher autonomy in taxation (the financing side). Let us consider each in turn.

6.3.1.2 Decentralization of Welfare Provision

The devolution of welfare services is part of a broader division of labor that has been established between the central government and the ACs. Generally, Spain's institutional consolidation after the 1970s created three levels of jurisdiction (Losada, 1999; Argullol and Bernadí, 2006; Beramendi, 2012). The first level is managed exclusively by the national government, including issues such as foreign relations and national security, national economic policy and trade, immigration policy, and core social security programs (old-age, disability, and unemployment). The second level is co-managed by the national and regional governments, including certain elements

of law and order, the media, the environment, education, and healthcare.[3]   The third and final level is managed exclusively by the ACs, including urban development, agriculture, transportation, culture, and social assistance programs. In this framework, then, contribution-based social security programs are managed exclusively by the national government, while healthcare and social assistance are managed by the ACs with varying degrees of freedom.

Like Spain's broader institutional decentralization, welfare services were devolved gradually, asymmetrically, and through ongoing political bargaining (Moreno, 2001*a*; Arriba and Moreno, 2005; Beramendi, 2012). Moreover, this process, too, was characterized by mimesis and interregional competition. Healthcare is a case in point. Catalonia, the Basque Country, Valencia, and Andalusia developed regional healthcare services as early as the 1980s, followed by Galicia, Navarre, and the Canary Islands in the 1990s. By 2001, the central government transferred the authority over healthcare to all ACs to promote better uniformity (León, 2010; Gallego and Subirats, 2012; Solé-Ollé, 2015).

While the level of autonomy may have become more equal across ACs, there remain interregional differences in service quality and in investment levels, particularly as a function of regional wealth. Healthcare quality and supplementary coverage vary between ACs even as all have consistently increased their spending (Gallego and Subirats, 2012). The interregional variation is more pronounced in social assistance benefits. Given the high national investment in old-age and unemployment benefits, most regions focus on social assistance for poor working-age populations. The largest assistance program in most ACs provides means-tested supplemental income, while other assistance includes active labor services with or without small-scale cash transfers (Moreno, 2001*a*; Arriba and Moreno, 2005; Gallego and Subirats, 2012; Dubin, 2019). In practice, wealthier ACs tend to provide better social assistance coverage and benefit rates, a gap that has consistently grown since the early 2000s (Ayala Cañón, 2012; Arriba, 2014). According to 2012 data, the Basque Country, in particular, spent about three times on these programs than other ACs (Arriba,

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[3]Shared authority typically takes one of two forms. In some issues, the central government sets concrete policies and the AC execute them. In others, the central government determines broad guidelines and leaves the ACs room for additional policymaking. Healthcare falls under the latter category.

2014). This difference also reflects the Basque Country's extended control over regional tax revenues, the second aspect of welfare decentralization.

6.3.1.3 Decentralization of Tax Revenues

Interregional tax transfers are one of the primary mechanisms for national solidarity in Spain, a stated principle in the country's constitution. Nevertheless, the constitution also established two separate fiscal systems. The first sets a shared tax pool for all but two ACs. Among its purposes, this pool is used to fund interregional transfers from rich to poor ACs. The second system, which applies only to the Basque Country and Navarre due to past historical arrangements, provides broad fiscal autonomy: both ACs collect regional taxes on their own and then transfer a certain share, determined through political bargaining, to the central government. Unsurprisingly, the two ACs have used this autonomy to their advantage through tax breaks for regional investments and lower income tax (Moreno, 2001*b*; Moreno and Colino, 2010; Beramendi, 2012; Lago-Peñas, Xoaquín Fernàndez-Leiceaga and Vaquero-García, 2018).

This arrangement was contested by some rich regions, especially the Catalans. Catalan nationalists have repeatedly used Catalonia's net transfers to the rest of Spain in their arguments for greater independence (Moreno, 2001*b*). These pressures bore fruit in the 1990s and 2000s when the Catalan and Basque parties gained additional leverage in national politics due to a series of minority governments (Beramendi, 2012). Under their pressure, the central government allowed ACs to keep a growing share of the taxes levied in their borders, starting with 15% of income taxes and VAT in the mid–1990s and shifting to 33–35% in 2002. In 2006, a new Catalan statute of autonomy declared that the region will now keep 50% of its taxes and will limit its contribution to interregional equalization (Colino, 2009).[4] The national government accepted and expanded the 50% share to all ACs in 2009, alongside new limitations on interregional transfers and additional powers to set regional taxes (Beramendi, 2012; Solé-Ollé, 2015; Dubin, 2019). Between 2008 and 2012, accordingly, the average share of own tax revenues increased from 37.4% to 53% of total

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[4]Specifically, the Catalan statute declared that interregional transfers must not change Catalonia's relative position in GDP per capita compared to other regions.

AC revenues (Lago-Peñas, Xoaquín Fernàndez-Leiceaga and Vaquero-García, 2018).

The conflict over fiscal decentralization is far from over, however. In 2010, after several years of deliberations, Spain's constitutional court struck down several articles in the 2006 Catalan statute, including its mechanism to limit interregional equalization. Many Catalans interpreted the decision as a fundamental rejection of the region's economic and political aspirations, shifting Catalan public opinion further in favor of independence. These sentiments culminated in a successful referendum vote for independence in 2017, which was immediately annulled by the central government and threw the country into a political crisis (Basta, 2018; Lecours and Dupré, 2018).

6.3.1.4 Continued Centralization of Social Security

While both welfare provision and control over regional income gradually decentralized in the past few years, the core social security programs—contribution-based old-age, disability, and unemployment benefits—have remained under the exclusive authority of the central government. Although social security faces fewer pressures to decentralize compared to Belgium, this status quo is not obvious. In 1998, some of the nationalist movements made a joint demand to devolve parts of social security. This request, however, was rejected by the two large national parties from the left and from the right. According to Beramendi (2012), this rejection represents a shared unwillingness of the two large parties to upset elderly voters, a critical and geographically dispersed constituency. Moreover, Beramendi (2012) hypothesizes that these pressures may have convinced the government to make concessions in taxation autonomy instead. While social security decentralization remains off the table, then, its prospects nevertheless exert indirect influence as part of this political tug of war. Moreover, it demonstrates that the different interests of various communities and regions depend on their political leverage or lack thereof. Spain's centrifugal electoral system, which favors the two large parties at the expense of smaller and regional ones, is particularly instrumental in facilitating this balance of power (Beramendi, 2012), a point to which I return in the chapter's conclusion.

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6.3.2 Redistributive Preferences: Welfare Decentralization and Interregional Redistribution

How do most Spaniards feel about these redistributive issues, particularly given their intraregional variation in identity and wealth? Theoretically, I expect that members of richer ethnolinguistic communities would show the strongest preferences for decentralized services and for low interregional revenue-sharing. Poorer ethno-linguistic groups may want more autonomy in service provision, but they also benefit from interregional transfers. Therefore, they should express weaker support for welfare decentralization and interregional redistribution than the former. Rich regions without distinct ascriptive identities should not have a particular interest in welfare decentralization, but they should oppose higher interregional transfers compared to poorer regions. Finally, poor regions without unique identities should be the most supportive of a centralized system with high intergroup transfers. As I show next, the data largely support these expectations.

6.3.2.1 General Preferences on Redistribution

Before turning to welfare decentralization, I briefly consider the broader redistributive preferences common in Spain. Theoretically, high intergroup inequality should produce conflicting redistributive priorities based on class, as we have seen in the US. This is not the case in Spain, however. As the cross-sectional analysis in Figure 4.8 in Chapter 4 showed, the average Spaniard expresses comparatively strong support for all aspects of redistribution. Moreover, surveys conducted in Spain from the 1980s to the mid–2000s show a stable majority in favor of universal redistribution, i.e., policies that help all citizens and not just those in dire need (Moreno, 2008). These broad preferences also cross party lines: most Spanish voters do not perceive noteworthy differences between the redistributive agendas of the two largest national parties in the left and in the right (Fernández-Albertos and Manzano, 2012).

The lack of substantive interregional variation in redistributive priorities is illustrated in Table 6.4. Using survey data from 2008 (CIS survey 2765), the table presents the share of respondents in each type of AC who agree that: (1) it is without a doubt the government's responsibility to take

care of [a certain need or population], and (2) the government currently does not provide enough protection for [a certain need or population]. Regardless of AC type, large majorities support government responsibility for all types of social needs and are unhappy about current levels of public investment in them. There are some nuances: in particular, support for unemployment and housing assistance, both addressing lower-class needs, are somewhat less popular than broader programs targeting old-age, disability, and universal healthcare. Yet, these differences are relatively small considering the large majorities in their favor.

Table 6.4: Redistributive Preferences by Type, 2008

	No Unique Identity		Unique Identity	
	Poor	Rich	Poor	Rich
Government should be responsible for...				
Lower income inequality	78.0%	71.8%	69.7%	74.5%
Old-age pensions	94.0%	95.5%	91.8%	95.4%
Unemployment benefits	80.4%	82.6%	78.6%	78.1%
Universal healthcare	92.4%	88.1%	86.4%	91.4%
Housing for low-income families	83.2%	85.3%	76.4%	84.7%
Not enough protection currently for...				
Pensioners	82.6%	82.3%	75.7%	90.7%
Disabled	82.9%	84.8%	80.2%	89.1%
Unemployed	71.8%	71.1%	70.4%	75.4%
Families with Children under Care	79.6%	85.6%	76.6%	88.6%

Why is this so? The lack of strong regional differences may be related in part to Spain's economic situation. Despite the large absolute size of Spain's economy and its impressive growth since democratization, the country still underperforms OECD averages in terms of GDP per capita, unemployment rate, and poverty rate. Indeed, between the 1990s and the mid–2000s, support for redistribution increased with cynicism about the odds of economic mobilization through hard work rather than luck (Iglesias, Pena López and Sánchez Sántos, 2013). Moreover, Spain was hit particularly hard by the 2008 economic recession. All ACs are still experiencing double-digit unemployment rates in 2018, a decade after the crisis, especially among younger cohorts. Hence, unlike in the US, relative intergroup inequality in Spain does not create wholly different socioeconomic needs within each community. Rather, even as residents of all ACs support interpersonal redistri-

bution in principle, their tensions emerge once we consider relative income transfers between the different communities.

6.3.2.2 Interregional Redistribution

Past research on Spain finds that ascriptive identities and wealth both influence preferences for interregional redistribution, although this literature considers identity and class independently of one another. Overall, most Spaniards have increased their support for institutional decentralization since the late 1970s (Martínez-Herrera, 2002). Nevertheless, higher AC autonomy has been supported more strongly by Spaniards with higher regional identification, especially in regions with unique ethno-linguistic identities. This support is also higher among respondents from richer ACs that transfer more resources than they receive (Guinjoan and Rodon, 2014).

Stronger regional identification and residence in richer ACs, again tested independently of one another, also decrease support for income transfers between regions (Amat, 2012; Balcells, Fernández-Albertos and Kuo, 2015). Support for interregional redistribution is also mediated by knowledge, especially given the common tendency to exaggerate the extent of interregional transfers (Gallego and Subirats, 2012). Respondents who are informed about their AC's relative economic position increase their self-interested attitudes: residents of poorer ACs express stronger support for interregional redistribution while residents of richer ACs increase their opposition (Balcells, Fernández-Albertos and Kuo, 2015).

How do ethno-linguistic identities and regional wealth influence preferences for interregional redistribution in combination? To consider this question, I analyze Spanish survey data from 2009 (CIS survey 2799) that gauge both regional identification and welfare preferences. I examine two dependent variables. The first variable measures preference for decentralization of welfare provision. Specifically, respondents are asked which level of government should have the primary responsibility for social services: the national government, the ACs, or both jointly. I recode the answers into a dummy variable indicating support for AC responsibility rather than the other two

options.[5] The second dependent variable measures opposition to interregional redistribution using answers to the following question: "The autonomous financing system distributes wealth from richer Autonomous Communities to poorer Autonomous Communities. Do you believe that there should be a greater distribution of wealth between the territories, the same as now, or decreased distribution of wealth?" Higher values on this 3-point scale indicate a stronger objection to interregional redistribution.

I use the same explanatory variables as before: (1) dummy variables for each AC type, with poor ACs without unique ethno-linguistic identities as the omitted baseline category, and (2) regional identification measured by the Moreno question. I add two sets of control variables. The first includes standard sociodemographic variables: age group, gender, education level, church attendance, and full employment. The second set controls for broader ideological preferences and knowledge: ideological self-identification (measured using a 0–10 scale between left and right), economic preferences (measured using a 0–10 scale between "more public services at the cost of higher taxes" and "fewer taxes at the cost of reduced public services"), general support for institutional decentralization (measured using a 5-point scale between "a central state without ACs" and "a state where the ACs can declare independence"), and subjective perception of actual interregional equality levels (measured using a 5-point scale between "there is high inequality" and "there is high equality" between the different ACs).

The results are presented in tables 6.5 and 6.6. The first three models, shown in Table 6.5, present logistic regressions estimating the probability to support social-service management at the AC level. As I expect, support for exclusive welfare decentralization is notably stronger in regions that combine unique ethno-linguistic identities and high regional wealth. According to Model 1, there is a 53.7% probability that respondents from these regions would support full welfare decentralization. Respondents from poorer ethno-linguistic regions also express stronger support for welfare decentralization than regions without such identities, but the offset is smaller in size (32.2% probability of support). Finally, Respondents from ACs without unique identities show the

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[5]I reran all my estimations with the full 3-point scale after recoding "jointly" as the middle category. The results are substantively identical, although their interpretation is less straightforward.

weakest support for exclusive welfare decentralization regardless of their regional wealth (26.5% probability of support among richer regions and 24.8% among poorer ones). Model 2 demonstrates that these findings are robust to the inclusion of regional identification, which, as expected, is positively associated with support for welfare decentralization. Finally, Model 3 shows that these findings remain unchanged when controlling for ideological and policy preferences.

Table 6.5: *Support for Social-Service Decentralization: Logistic Regression*

	(1)	(2)	(3)
Regional Identification		0.392***	0.257***
		(0.043)	(0.051)
Ethno-Linguistic Rich	1.281***	1.165***	0.948***
	(0.107)	(0.111)	(0.125)
Ethno-Linguistic Poor	0.370**	0.425***	0.369**
	(0.119)	(0.122)	(0.131)
Non Ethno-Linguistic Rich	0.088	0.259*	0.237
	(0.122)	(0.130)	(0.144)
Age Group	-0.056	-0.041	0.011
	(0.030)	(0.031)	(0.035)
Female	0.093	0.064	0.059
	(0.086)	(0.089)	(0.098)
Education	0.107***	0.101**	0.072*
	(0.030)	(0.032)	(0.035)
Religiosity	-0.103**	-0.062	-0.043
	(0.035)	(0.037)	(0.044)
Full Employment	0.090	0.080	-0.016
	(0.092)	(0.096)	(0.104)
Right-Wing			0.039
			(0.025)
Fewer Taxes and Services			0.014
			(0.019)
General Decentralization			0.404***
			(0.053)
Perceived Regional Equality			-0.011
			(0.056)
Constant	-1.304***	-2.469***	-3.400***
	(0.214)	(0.258)	(0.359)
Observations	2,862	2,773	2,279
Pseudo-R^2	0.067	0.094	0.104

$* \ p < 0.05$, $** \ p < 0.01$, $*** \ p < 0.001$. Standard errors in parentheses

Table 6.6 presents OLS regressions estimating opposition to interregional redistribution using the same covariates. Once again, respondents from richer ACs with unique ethno-linguistic identities show the strongest objection to interregional transfers. According to Model 1, all else equal, respondents from these ACs oppose interregional redistribution by an average of 0.38 points (12.7% of the dependent variable's 3-point scale) more than respondents from poor regions without unique ascriptive identities. Respondents from poor ethno-linguistic ACs show greater objection to interregional redistribution than poor regions without such identities, but the difference is notably smaller (0.08 points, or only 2.5% of the dependent variable's 3-point scale). According to models 2 and 3, it is statistically indistinguishable from members of rich regions without unique identities. Models 2 and 3 demonstrate that these patterns are robust to the inclusion of regional identification, ideological and economic preferences, broader support for institutional decentralization, and perceptions of actual interregional equality, most of which perform as expected.

Together, these findings support my hypotheses. Members of rich ethno-linguistic regions stand out in their support for larger welfare and fiscal autonomy. Residents of poorer ethno-linguistic communities, by contrast, show some support for autonomous service provision but not as much for interregional transfers. While members of richer regions without unique identities show stronger opposition to interregional transfers compared to poorer ones, they do not show greater interest in decentralization. Moreover, their objection is consistently weaker than richer regions with ethno-linguistic identities, implying, contrary to the literature, that interregional inequality in itself is an insufficient explanation in diverse societies.

6.4   Conclusion: Lessons from the Spanish Case

In summary, the data from Spain largely corroborate my theoretical hypotheses and the empirical patterns found in previous chapters. In particular, the interregional variation in ethno-linguistic identities and in regional wealth illustrate that geography and inequality can operate concurrently. On the one hand, the territorial nature of Spain's ethno-linguistic identities reinforces regional solidarities, and, where they are stronger, preferences for regional welfare provision. Indeed, even

Table 6.6: *Opposition to Interregional Redistribution: OLS Regression*

	(1)	(2)	(3)
Regional Identification		0.055***	0.047***
		(0.011)	(0.012)
Ethno-Linguistic Rich	0.380***	0.359***	0.345***
	(0.026)	(0.027)	(0.031)
Ethno-Linguistic Poor	0.076**	0.074**	0.073*
	(0.028)	(0.029)	(0.031)
Non Ethno-Linguistic Rich	0.039	0.063*	0.074*
	(0.029)	(0.031)	(0.035)
Age Group	0.014*	0.016*	0.013
	(0.007)	(0.007)	(0.008)
Female	-0.039	-0.043*	-0.046
	(0.021)	(0.021)	(0.023)
Education	0.038***	0.035***	0.034***
	(0.008)	(0.008)	(0.010)
Religiosity	-0.021**	-0.020**	-0.018
	(0.007)	(0.007)	(0.010)
Full Employment	0.025	0.023	0.008
	(0.023)	(0.023)	(0.026)
Right-Wing			0.015**
			(0.006)
Fewer Taxes and Services			0.008
			(0.004)
General Decentralization			0.047***
			(0.012)
Perceived Regional Equality			0.105***
			(0.015)
Constant	1.049***	0.905***	0.529***
	(0.051)	(0.065)	(0.091)
Observations	3,045	2,946	2,345
R^2	0.106	0.119	0.156

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Robust Standard errors in parentheses

poorer ethno-linguistic regions, which depend on income transfers from other regions, show relatively strong in-group solidarity and some support for regional service provision. On the other, Spain's interregional economic inequalities have deepened in-group identification and opposition to interregional redistribution among richer minorities.

As I expect, the combination of geography and wealth singles out ethno-linguistic groups from rich regions as the primary advocates of decentralized and insular redistribution. Poorer identity groups, by contrast, are conflicted: despite their unique identities and stronger preference of region over class, their dependence on the central government and on other regions has attenuated their exclusive solidarity and their opposition to interregional redistribution. Finally, residents of regions without unique ethno-linguistic identities express broader solidarity with other Spaniards and lower interest in welfare decentralization, although they differ on interregional redistribution depending on their economic situation. As we have seen, these patterns reflect long-term historical dynamics between the Spanish political center, poorer ethno-linguistic regions that are dependent on the state, and richer ethno-linguistic regions with more economic and political capital to push back.

Spain does not conform to one key theoretical expectation: whereas I generally expect richer and poorer groups to maintain different redistributive priorities, a majority across all Spanish regions support a wide variety of welfare programs. As I speculated earlier, this result may reflect broadly shared risks due to Spain's economic problems. Despite interregional differences in relative terms, members of all regions may be concerned about access to healthcare, unemployment compensation, and housing assistance, especially after the economic crisis of 2008. Further research into the roots of Spanish welfare preferences is required to asses whether this explanation is sufficient.

These preferences have contributed to a welfare system that is partly devolved, although core social security programs, most of which protect against shared risks, remain centralized. Social assistance, meanwhile, is supplied regionally and has low investment levels that vary by each AC's resources. Nevertheless, I do not find evidence that this outcome stems from differential redistributive priorities. Instead, it may reflect Spain's traditional reliance on communal and voluntary networks of support and the late development of its welfare state. While social security remains centralized, intergroup tensions have been focused on interregional transfers, where there has been continuous decentralization following bottom-up pressures and political crises initiated by richer ethno-linguistic groups. This outcome emphasizes a key difference between Spain and Belgium:

Belgians, and particularly Flemings, have been preoccupied with greater devolution of program management, while richer minorities in Spain have focused on gaining greater control of their income. This difference corroborates my core argument about the relative importance of income and geography in each of the cases.

6.4.1 Mechanisms: Mass Movements, Elite Interests, and Institutions

The mechanisms that drive these outcomes resemble the ones identified in the US and in Belgium. Like in previous cases, group sentiments in Spain exert political pressures both through bottom-up and through top-down channels. Historically, Catalan and Basque nationalism have been supported by mass movements and grassroots networks, especially under political oppression. The data show that regional identification with ethno-linguistic regions is driven first and foremost by personal ties such as place of birth and fluency in the regional language (Bollen and Díez Medrano, 1998; Martínez-Herrera, 2002; Miley, 2008). These bottom-up factors, moreover, were shown to causally precede support for institutional decentralization and regional party vote (Chernyha and Burg, 2012).

At the same time, the nationalist movements have been led historically by local elites seeking to broaden their political and economic power. The same elites have promoted the entrenchment of regional symbols and language into everyday life and maintained their popular appeal. Furthermore, Spain's institutional decentralization created a set of regional institutions, politicians, and bureaucrats that often invoke regional identities to mobilize voters in their interest. This process, moreover, has gradually proliferated to regions without unique ethno-linguistic identities as well (Núñez, 1999; Moreno, 2001*b*; Martínez-Herrera, 2002; Lecours, 2001). This tactic, nevertheless, has had more limited success in the absence of deep ascriptive identifications among local voters (Núñez, 1999), implying again that elite cues require a receptive audience.

Like in Belgium, the Spanish case also underscores the importance of political institutions in the nexus of preferences and policymaking. In the Spanish case, the electoral system benefits the two large national parties at the expense of smaller ones with dispersed electorates. Regional par-

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ties are in a weaker position in this system, unless, like in the Basque Country and Catalonia, they rally a sizable majority of voters across most of their districts (Moreno and Colino, 2010; Beramendi, 2012). Even the Catalan and Basque parties, however, have remained small and never took part in the governing coalition. Their largest leverage has been in periods with national minority governments and using regional referenda and legislation, some of which were vetoed by national actors. Many of their achievements, therefore, were made through pressures on and negotiations with the central government. For the same reason, the staunch opposition by both national parties has prevented serious challenges to the centralized nature of social security. Healthcare and social assistance, by contrast, were successfully devolved through negotiations and agreements with the central government, often after autonomic regional moves. Like in Belgium, then, these institutions neither cause nor prevent group preferences and conflict over intergroup redistribution. Their effect, instead, shapes the political channels, volatility, and pace at which these conflicts have progressed.

CHAPTER VII

Conclusion

Almost twenty years ago, political scientist Keith Banting stated that "contemporary politics is multicultural politics" (Banting, 1999, 108). Today, as most developed democracies wrestle with migrant integration, the crisis of globalization, and the growing popularity of nativist and regionalist movements, few would argue with this assertion. Yet, our understanding of the political implications of ascriptive diversity is far from complete. In this dissertation, I have explored one particular yet significant aspect of this issue: the structural influence that ascriptive identity cleavages wield on income redistribution in democratic societies. Interpersonal redistribution is a central policy arena in which modern democracies determine who gets what, when, and how, to use the classic definition of politics coined by Lasswell (1950). As such, a better understanding of the causes of redistributive outcomes can improve our future advancement of the wellbeing, social rights, and integration of different members and groups in society. In this final chapter, therefore, I take a step back and briefly consider from this broader perspective my main findings, their scholarly contributions, and the avenues that they open for further research.

7.1 Summary of Main Findings

How does ascriptive diversity influence income redistribution in developed democracies? Macro-comparative research from the past few years has cemented the notion that diverse societies are more fragmented and thus redistribute less income between their members than homogeneous

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ones. My theoretical framework and empirical findings have shown that this conclusion is incomplete. While higher ascriptive diversity can suppress redistribution levels, the manifestation and strength of this effect depend on the national contexts within which it operates, particularly socioeconomic and geographical structures. When identity groups have different socioeconomic status or live in separate regions, national solidarity is replaced with narrower "solidarity circles" that combine ascriptive identity with class and/or region. Each of these contexts, however, fractures national solidarity along different social categories and consequently fosters different redistributive preferences and outcomes. When identity groups are highly unequal socioeconomically, better-off identity groups can minimize intergroup redistribution through regressive and exclusionary welfare policies. By contrast, when identity groups cluster in different parts of the country, their members can minimize intergroup redistribution by decentralizing national welfare programs to the regional level. Hence, these factors determine both the extent to which ascriptive diversity dampens redistribution and the types of redistributive outcomes that it produces.

My empirical analyses corroborate these expectations. Contrary to the common argument, cross-sectional time-series data from 22 democracies over 31 years show that ascriptive diversity alone does not consistently predict lower investment in redistribution or less inequality reduction. However, its dampening effects appear strongly when either intergroup inequality and/or regional segregation is higher. Each mediating context, however, is correlated with different outcomes. All else equal, greater ascriptive diversity with higher intergroup inequality is associated with stronger public perceptions of class conflict, weaker investment in lower-class needs, and more exclusionary cross-class programs. Investment levels in programs that serve stronger groups, however, remain unconstrained regardless of intergroup tensions. The American case, where the primary racial cleavage is characterized by deep socioeconomic inequalities, demonstrates how these findings connect together. In the US, white racial resentment has indeed become interlaced with negative stereotypes of black poverty, lower solidarity with the poor, and weaker support for the redistributive programs that serve them. These preferences, in turn, have facilitated a myriad of policies that prioritize the redistributive interests of middle and upper class whites and underplay the needs of

poorer blacks.

My quantitative analysis also supports the second expectation: greater ascriptive diversity with higher regional segregation correlates with stronger regional identities, lower investment in almost all types of national programs regardless of need, and greater devolution of redistributive authority to subnational units. The case of Belgium illustrates how these processes unfold in practice. High intergroup segregation between Flemings and Walloons has fostered two insular communities with intergroup tensions and a thin shared identity. Furthermore, the Flemish community, which has historically mobilized more strongly around its ethno-linguistic identity, has consistently pushed for greater decentralization of social policy. While Belgium's historical legacy and institutional structure have prevented the swift devolution of key social security programs, these pressures nevertheless incrementally erode the national system's standing.

Similar dynamics are found in Spain but with a stronger simultaneous influence of intergroup inequality. Like in Belgium, the regional segregation of ethno-linguistic groups in Spain has cultivated separate linguistic and cultural communities with strong regional identities. Yet, unlike in Belgium, the different communities in Spain have developed along unequal economic paths. As a result, the strength of their identities and their support for devolved redistribution varies based on each community's economic interests. In particular, ethno-linguistic communities from poorer regions depend on, and show more support for, centralized redistribution that transfers income from richer regions. By contrast, ethno-linguistic groups from richer regions tend to be more autonomous and supportive of separate redistributive systems. The Spanish case, therefore, demonstrates that both inequality and geography can operate side by side, a pattern that is also corroborated by my broader quantitative analysis.

The three case studies add several important insights to my theoretical framework and large-n analysis. First, they substantiate several of my core theoretical and methodological premises. In all cases, the different types of ascriptive identities—racial in one case and ethno-linguistic in the others—create comparable intergroup tensions, frayed solidarities, and redistributive implications. In all three cases, moreover, these identities have remained salient since their initial

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activation. Their socioeconomic and geographical contexts, too, have changed quite slowly, if at all. While there were some changes—e.g., the reversal of economic fortunes in Belgium or the Great Migration of blacks in early twentieth century America—they were rare and seem at least broadly exogenous to redistributive policy. Further, notable changes in redistributive policies, such as the War on Poverty in the US or the establishment of Belgium's social security system, have not reshaped the cleavage structure in meaningful ways. Finally, all cases find a direct connection between group preferences and actual policymaking, brought about by the actions of voters, activists, political entrepreneurs, and electoral representatives.

Second, the case studies shed more light on the mechanisms that translate redistributive preferences into policy outcomes, an often-neglected aspect in the micro-behavioral literature. Specifically, all three cases find contemporaneous pressures from below and from above that feed off of each other. In all three countries, politicians have reacted to and were constrained by popular sentiments toward other groups and by preferences on redistribution. At the same time, all three cases demonstrate that politicians, social actors, and media outlets often mobilize and cue these sentiments to serve their own interests. The complex interrelations of bottom-up public opinion and top-down elite mobilization are well beyond the scope of this project, but they serve as a reminder of the various ways by which group sentiments prevail and influence actual policymaking. A third mechanism that arises in the case studies is political institutions. As discussed more in length in chapters 2, 5, and 6, existing institutions can expand or constrain the ways by which social groups can act on their collective inclinations. However, all three cases illustrate that institutions are often designed and reformed endogenously to accommodate group preferences better. As such, they are important parameters that set the pace, political leverage, and specific policy tools through which preferences influence redistributive policies but they do not stand out as exogenous or sufficient explanans on their own.

Third, the three case studies add a dynamic dimension to my otherwise static theoretical framework. In particular, each case presents a different type of long-term transformation that affected the concrete manifestation of my predictions but also demonstrated their sustained relevance. In the

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American case, the cleavage structure and racial resentments remained stable and salient for centuries but the norms and legal constraints changed over time. Accordingly, by the Civil Rights era, new policy tools were used to exclude poorer blacks less overtly than before. Hence, the goals remained the same even as the tactics shifted. In Belgium, by contrast, the ethno-linguistic cleavage itself grew in salience, particularly after the old division lines of church and class dissipated. As a result, the pressures on redistributive policies themselves increased and focused on the reconstruction of older institutions built under a different social context. Finally, in Spain, the change was not in the ethno-linguistic cleavage or in group preferences but in the regime itself. Spain's late democratization shifted older battle lines around autonomy and repression to new, and still changing, institutional and political platforms. Moreover, Spain's late economic development and welfare state formation have contributed to relatively uniform popular support for redistributive policies across all groups, a finding that diverges from my theoretical expectations and demonstrates that reality is often noisier than ceteris paribus models.

7.2   Contributions

The argument and findings presented in my dissertation advance our understanding of ascriptive identity politics and redistribution in several ways. My first set of contributions are substantive. My argument provides a single, empirically corroborated framework to analyze how complex social structures shape resource redistribution between different identity groups in democratic settings. My analysis tells us, for example, that the American welfare state and the current politics around it would have looked differently if blacks were concentrated in a particular set of states. Similarly, Belgium or Spain would have developed different policies and tensions if their groups were more intermixed or their economic discrepancies different. More importantly, my analysis also points at the future implications of current decisions about the spatial and economic integration of new immigrants and minority groups. Isolating immigrants in specific areas or raising economic barriers that hold them back may play important roles in the redistributive politics of future generations. Similarly, my argument helps anticipate future redistributive battlefronts in

developing countries where ascriptive identities, cleavage structures, and social policies are still taking shape.

These conclusions, in turn, update and shift the disciplinary discussion of identity and redistribution. In particular, my dissertation ties together and fills the gap in the three incomplete answers that we currently have. First, I show that the common macro-comparative argument associating ascriptive diversity and low redistribution is theoretically and empirically insufficient. Yet, contrary to some critiques on the validity of this claim (e.g., Taylor-Gooby, 2005; Mau and Burkhardt, 2009), I also detail the conditions under which it applies and the exact outcomes it produces. My conclusions thus compel macro-comparative researchers to pay closer attention to the broader sociodemographic structures and subnational contexts that constrain dynamic explanations of social policy. Furthermore, students of redistributive politics should be more attentive to the different components of aggregate redistributive outcomes. As my research shows, social policy can vary in its internal composition, priorities, and institutional design even as it is rolled back on the whole.

Second, I show that many micro-behavioral insights on preferences do extend to broader policy outcomes. Similar to macro-comparative research, micro-behavioral studies, too, should pay more attention to the ways that different local contexts influence preferences for specific types of redistributive policies and not others. My research calls for such work to be particularly cognizant of the social categories that underly in-group solidarity and out-group resentments and the redistributive policies that speak to each.

Third, my research also underscores the often-neglected importance of regional geography for both the macro-comparative and the micro-behavioral discussions about redistributive preferences and policy. The impact of geography has often been studied in local settings and with focus on intergroup relations. My findings, nevertheless, emphasize the macro-comparative and redistributive importance of such factors as intergroup contact, regional segregation, and interregional wealth differences. By the same token, political-economic models about interregional inequality and subnational institutions would benefit from a deeper examination of ascriptive identities. My analysis of Spain, for example, demonstrates that these identities are not just a background attribute to hold

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constant but a mediating and moderating variable that creates internal variation within richer and poorer regions.

Hence, beyond their substantive lessons, my findings emphasize a larger disciplinary lesson: we can and should further break down the intra-disciplinary silos between macro-level and micro-level discussions about identity politics and social policy. Studies on individual-level behavior offer rich and nuanced insights about the causal mechanisms that underly interpersonal relations and individual policy preferences, but they often stop short of discussing concrete policy implications. Macro-comparative studies, by contrast, often overlook these insights and seek national-level and institutional explanations. My research demonstrates that picking one over the other limits our ability to paint a fuller picture of social structures, identity politics, and policy outcomes, and may subsequently lead to faulty conclusions and policy decisions.

My final set of contributions is methodological. While I use largely available data, my quantitative analysis highlights several practices that could be used in future research of similar questions. First, I introduce a new measure of ascriptive diversity that aggregates multiple ascriptive identities into a single score. This measure has its weaknesses, particularly for studies that are interested only in a particular type of ascriptive identities, yet it is especially useful for quantitative research that wishes to disaggregate ascriptive diversity and the various contexts that activate it. For the purposes of this dissertation, this measure enabled me to differentiate the distinct redistributive implications of intergroup inequality and regional segregation, two factors that have a similar mobilizing power but different implications. Second, my empirical analysis suggests that future research about the redistributive implications of intergroup inequality should use cleavage reinforcement/cross-cuttingness measures rather than common indices of between-group inequality. The latter, I have argued, capture relative income gaps and may thus be more endogenous to redistribution. As I have shown in Chapter 3 and in the appendices, the former measures remain stable over several decades and perform as well as alternative measures that are strictly exogenous to redistribution levels.

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7.3 Avenues for Future Research

Finally, my dissertation opens several avenues for future research. Three directions stand out in particular. The first type of research should dig deeper into the behavioral premises that underlie my argument. My empirical analysis provides evidence of correlations and specific case developments, but more work is needed to identify and show the exact causal path leading from social structures, to intergroup relations, to concrete policy preferences. Experimental work would be particularly fitting to test how these factors shape different group members' support for concrete types of policies, target audiences, and redistributive priorities (for a recent step in this direction, see Harell, Soroka and Iyengar, 2016).

A second avenue for future research should extend the scope conditions that bound my current discussion. First, additional research should theorize about the distributive implications of cleavage structures in newer democracies with shorter-lived welfare states. Eastern Europe and Latin America, in particular, could be interesting regions around which to examine, adjust, and expand my theoretical framework. Indeed, recent research finds that intergroup inequality dampens popular support for redistribution in Latin American countries too (Morgan and Kelly, 2016) even as their welfare policies developed along different historical, economic, and institutional paths than most Western democracies (Huber and Stephens, 2012). Second, future research can expand the theory's time horizons and examine the long-term feedback loops between ascriptive identity salience, cleavage structures, and income redistribution over decades and centuries. To do so, additional data collection is required on historical social structures, migration patterns, and social policy. The theory, too, could be expanded to include older cleavages surrounding religion and church, border swaps due to imperial wars, and state formation processes.

Finally, a third avenue for future research should go beyond class and geography and examine the redistributive implications of other social categories that define intergroup relations, redistributive preferences, and actual policies. Two particular examples come to mind, each merit a deeper investigation. The first category is citizenship, especially given the recent increase of immigration inflows to Western democracies. Indeed, recent research finds instances of welfare chauvinism,

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i.e., public support for generous redistribution only for natives but not immigrants (Reeskens and Van Oorschot, 2012; Van Der Waal, De Koster and Van Oorschot, 2013). Policy-wise, such exclusion is often manifested through stricter requirements for citizenship, longer periods of residence, duration in the labor market, and past payroll contributions—all markers that differentiate natives from immigrants (Sainsbury, 2012; Koning and Banting, 2013). This research can use my theoretical framework to sketch the full causal map from immigration, to bounded solidarities, to policymaking using these social categories as means of exclusion, to the eventual redistributive patterns that they produce.

The second social category that can overlap with ascriptive identities is contribution to the general good. In such cases, the government can provide higher benefits for certain acts of contribution—e.g., military service, personal sacrifice for certain goals, or membership in a symbolic religious or ethnic group—that are more common among certain ascriptive identity groups. In Israel, for example, about 20–25% of transfer payments use eligibility criteria that are tied directly with contribution to the Jewish majority's identity and Zionist project. These criteria, accordingly, exclude or minimize benefits to non-Jewish minorities. These include, among others, higher pensions for elderly Jewish immigrants ("*Olim*"), special benefits for Holocaust survivors, stipends for Ultra-Orthodox yeshiva students, and welfare benefits for military service, a duty form which Arab citizens are collectively exempt (Shalev, 2010; Yakter and Shalev, 2013). Future research can look for similar programs from a comparative perspective, dig deeper into the public preferences and bounded solidarities that justify them, and study the politics behind their establishment and sustainment.

Together, these avenues constitute a research agenda that seeks to better understand how social structures in diverse democracies shape intergroup relations, divide society to different circles of solidarity, and influence the ways by which resources are redistributed between different people and groups. These questions are becoming all the more important given the current challenges facing the democratic world, the increasing diversity of Western societies, and the growing political influence of nativist and exclusionary ideologies.

APPENDICES

APPENDIX A

Test for Stability of Intergroup Inequality Over Time

The quantitative analysis presented in Chapter 3 assumes that intergroup income inequality, measured as the cleavage reinforcement of ascriptive identity and income, remains relatively stable over the sample period. To corroborate this assumption, I look for patterns of stability or change in specific survey dyads that gauge this measure over different periods of time.

The measures that I use rely on data from the Cross-Cutting Cleavages Dataset developed by Joel Selway (2011). Selway's cross-cuttingness measures are calculated as the average score of country-level surveys from multiple years, the number and distribution of which vary by country. To support the assumption that intergroup income inequality remains relatively stable for the sample's duration, I examine the annual rates of change in intergroup inequality scores among all comparable country surveys. If my stability assumption is wrong, the annual rate of change in comparable survey dyads should follow a consistent pattern. Conversely, the stability assumption will be corroborated if intersurvey changes resemble random noise.

I calculate the intersurvey annual change rate by the following steps:

1. **Identification of comparable surveys:** First, I revisited the original list of surveys used by Selway[1] and identified comparable surveys that meet all the following criteria:

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[1]Courtesy of Joel Selway, the data is available in: Selway, Joel S. 2010, "Replication data for: The Measurement of Cross-cutting Cleavages and Other Multidimensional Cleavage Structures", `hdl:1902.1/15162`, Harvard Dataverse, V3.

- The same country

- The same research project (e.g., World Value Survey)

- The same question wording

- Identical list of answers (with or without collapsing categories)[2]

- Different years

2. **Calculation of survey-specific inequality scores**: Next, I calculated the intergroup inequality score for each specific survey using Selway's method (Cramer's normalization of the chi-square statistic).

3. **Calculation of Compound Annual Growth Rate:** Finally, I calculated the compound annual growth rate (CAGR) for every dyad of comparable surveys. The CAGR formula calculates the constant rate of change per year between two values based on the start value, the end value, and the number of years between them.[3] It thus creates a comparable annual change rate regardless of the number of years that passed between every survey dyad. Following this process, I have a total of 97 dyadic CAGR scores.

I use two tests to examine whether there is a consistent pattern of change in intergroup inequality. First, Figure A.1 presents the density plot of the CAGR score distribution. Panel A showcases the density plot of all CAGR values, while panel B breaks them apart by identity type. All plots resemble a Gaussian curve with a mean around zero, just as we would expect after multiple random draws from a normal distribution. Specifically, the mean CAGR value for all identity types (panel A) is $\mu = -0.0002$ and the variance is $\sigma^2 = 0.002$. In other words, in line with the stability assumption, the rate of annual change in intergroup inequality scores is almost zero on average

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[2]For example, a second wave of the same survey in the same country may expand the list of religious denominations available for respondents compared to the first wave. However, in some surveys, the former can be collapsed perfectly to the latter, e.g., by bundling all new options under an "other" category that appeared in the first survey. In such cases, I calculated the intergroup inequality score after collapsing the list of answers where necessary.

[3]Formally, the CAGR formula is $\left(\frac{V(t_n)}{V(t_0)}\right)^{\frac{1}{t_n - t_0}} - 1$, where $V(t_0)$ is the start value, $V(t_n)$ is the end value, and $t_n - t_0$ is the number of years between them.

and has no clear positive or negative skew. Furthermore, Panel B demonstrates that this Gaussian distribution repeats across identity types.
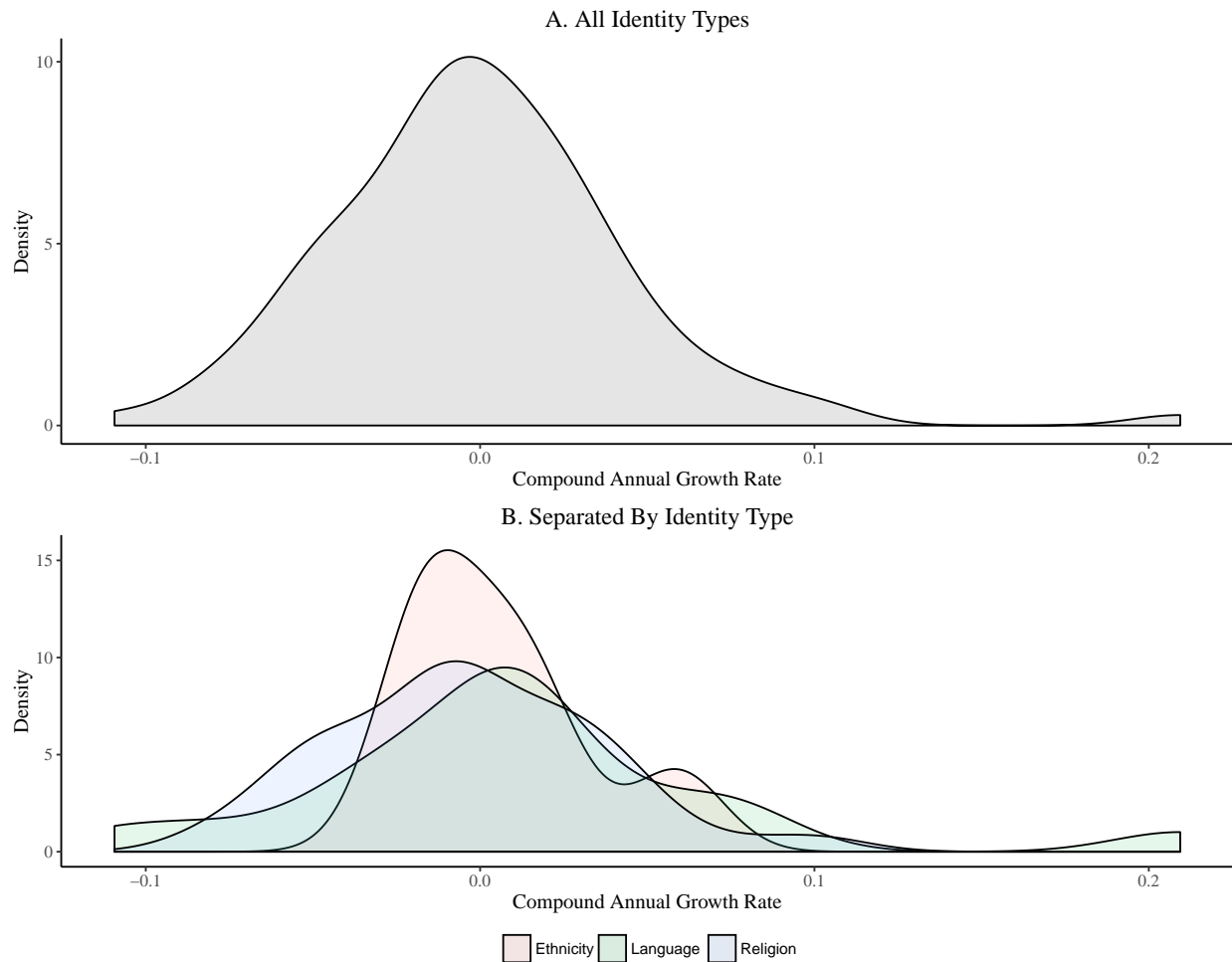
Figure A.1: Density Plots of CAGR Values for Intergroup Inequality

Second, I examine trends in CAGR over time using sequences of comparable surveys. In many cases, survey dyads were part of longer chains: the first dyad was between period 1 and period 2, the second was between period 2 and period 3, and so on. For instance, a country that had comparable surveys in 1981, 1995, 2005, and 2010 produced a chain of three connected dyads. Accordingly, there is a different CAGR score for each dyad in the sequence, i.e., an annual change rate for 1981–1995 (dyad 1), a second annual change rate for 1995–2005 (dyad 2), and a third one for 2005–2010 (dyad 3). These sequences can be helpful to examine whether the rate of change moves in a consistent direction over time in the same country. If my stability assumption is wrong,

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we would expect either or both of the following patterns: (1) all periods in the same sequence would share a positive (or negative) change, i.e., locate consistently above or below zero CAGR, and/or (2) sequences from different countries would follow a similar pattern. Figure A.2, which plots CAGR scores over time period by sequence, finds neither. Instead, the multiple trend lines (and single dyads, marked by a sole circle) go up and down irregularly and cut across one another, resembling a Chinese finger trap rather than moving together or locating consistently below or above zero. The same is true when each identity type is examined separately in panels B, C, and D.
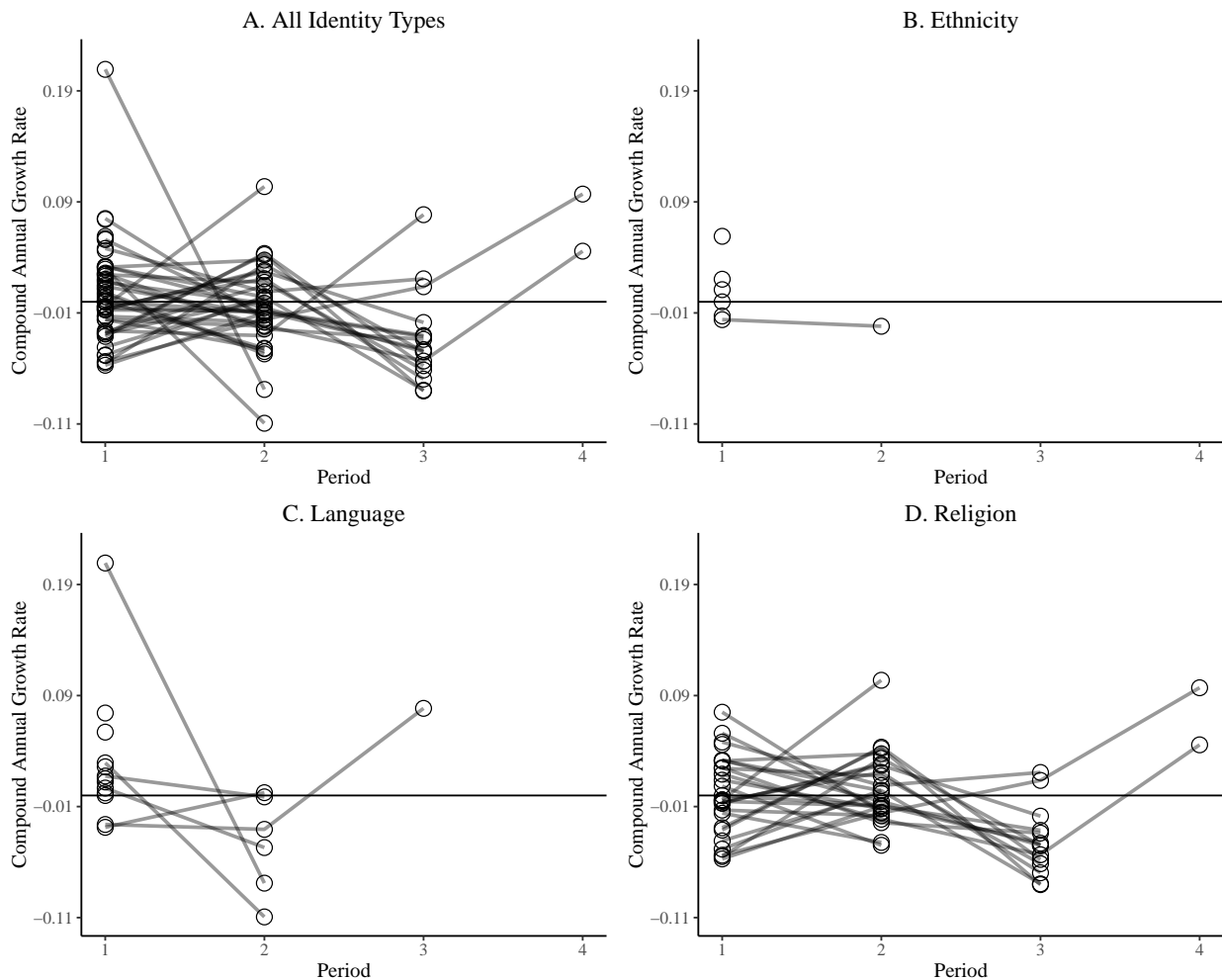

Figure A.2: *CAGR Trend over Multiple Periods*

In summary, both the distribution of change in intergroup inequality scores and their temporal trend lack consistent patterns over time. This null result supports the assumption that the reinforce-

ment of identity and income is relatively stable over my sample period.

APPENDIX B

Full Presentation of Truncated Models

Table B.1: *Public Social Spending by Program Type: Cross-Class Needs*

	Old-Age Spending		Years for Full Pension		Incapacity Spending	
	(1)		(2)		(3)	
Structural Relationships						
AIF	-0.520***	(0.139)	-0.512	(1.344)	0.047	(0.099)
Inequality	-0.380**	(0.158)	0.255	(1.315)	0.260**	(0.123)
AIF $\times$ Inequality	0.728	(0.508)	-1.874	(5.719)	-0.343	(0.442)
Segregation	0.137	(0.276)	-1.641**	(0.754)	0.580***	(0.207)
AIF $\times$ Segregation	-0.068	(0.723)	5.606***	(2.010)	-1.214**	(0.591)
Veto	0.007	(0.009)	-0.067**	(0.033)	0.004	(0.005)
Short-Term Relationships						
ΔLeft	0.000	(0.001)	-0.004**	(0.002)	0.001**	(0.000)
ΔChristDem	0.003*	(0.001)	-0.007***	(0.002)	0.002**	(0.001)
ΔCWB	0.043**	(0.020)	-0.053	(0.105)	-0.006	(0.011)
ΔUnemployment	0.029**	(0.014)	-0.002	(0.054)	0.003	(0.007)
ΔLogGDP	-7.358***	(0.637)	2.930	(2.496)	-2.135***	(0.315)
Long-Term Relationships						
Left_{t-1}	-0.000	(0.000)	0.000	(0.001)	0.000	(0.000)
ChristDem_{t-1}	-0.000	(0.001)	-0.002	(0.002)	0.000	(0.000)
CWB_{t-1}	0.022*	(0.012)	-0.090	(0.090)	0.006	(0.006)
$\text{Unemployment}_{t-1}$	-0.004	(0.004)	-0.030	(0.023)	-0.007***	(0.002)
LabForce_{t-1}	-0.003	(0.003)	0.021**	(0.010)	0.005***	(0.002)
FemLabForce_{t-1}	0.002	(0.004)	-0.017	(0.029)	0.002	(0.002)
Pop65_{t-1}	0.010	(0.008)	0.017	(0.039)	0.001	(0.004)
LogTrade_{t-1}	-0.060**	(0.027)	0.013	(0.197)	0.020	(0.017)
LogGDP_{t-1}	-0.062	(0.044)	-0.142	(0.253)	-0.073**	(0.029)
Error-Correction Term						
Age_{t-1}	-0.015*	(0.008)				
AgeQual_{t-1}			0.000	(0.003)		
Incapacity_{t-1}					-0.039***	(0.010)
Lagged Difference						
ΔAge_{t-1}	0.104*	(0.060)				
$\Delta\text{Incapacity}_{t-1}$					0.163**	(0.069)
$\Delta\text{LogGDP}_{t-1}$	2.493***	(0.638)			0.865***	(0.277)
R^2	0.382		0.533		0.314	
Observations	68		85		68	
Countries	19		18		19	

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$. Panel-corrected standard errors in parentheses.

Table B.2: *Public Social Spending by Program Type: Lower-Class Needs*

	Unemp. Spending		Assitance Spending		Healthcare Spending	
	(1)		(2)		(3)	
Structural Relationships						
AIF	0.558***	(0.175)	0.564***	(0.153)	0.661***	(0.170)
Inequality	0.655***	(0.211)	0.804***	(0.213)	0.554**	(0.247)
AIF × Inequality	-1.815***	(0.629)	-2.067***	(0.583)	-1.656**	(0.734)
Segregation	0.703**	(0.277)	0.485***	(0.174)	-0.075	(0.319)
AIF × Segregation	-1.375*	(0.764)	-1.106**	(0.470)	0.149	(0.917)
Veto	0.016*	(0.009)	-0.004	(0.007)	-0.015*	(0.009)
Short-Term Relationships						
ΔLeft	-0.001	(0.001)	0.000	(0.000)	-0.001**	(0.001)
ΔChristDem	-0.000	(0.001)	0.001	(0.001)	0.002	(0.001)
ΔCWB	0.029*	(0.016)	-0.005	(0.011)	-0.006	(0.019)
ΔUnemployment	0.072***	(0.016)	-0.009	(0.008)	-0.002	(0.013)
ΔLogGDP	-4.117***	(0.723)	-2.594***	(0.428)	-4.928***	(0.610)
Long-Term Relationships						
Left$_{t-1}$	-0.000	(0.000)	-0.000	(0.000)	0.000	(0.000)
ChristDem$_{t-1}$	-0.001	(0.001)	-0.001	(0.000)	0.002**	(0.001)
CWB$_{t-1}$	0.023**	(0.010)	0.005	(0.008)	0.005	(0.011)
Unemployment$_{t-1}$	-0.011**	(0.005)	-0.008***	(0.003)	-0.007*	(0.004)
LabForce$_{t-1}$	0.001	(0.002)	0.001	(0.001)	-0.005*	(0.003)
FemLabForce$_{t-1}$	0.003	(0.003)	0.001	(0.002)	0.004	(0.004)
Pop65$_{t-1}$	0.001	(0.006)	0.000	(0.004)	0.007	(0.007)
LogTrade$_{t-1}$	0.049	(0.034)	0.026	(0.019)	-0.077**	(0.032)
LogGDP$_{t-1}$	-0.175***	(0.056)	-0.041	(0.035)	0.108**	(0.043)
Error-Correction Term						
Unemployment$_{t-1}$	-0.041***	(0.013)				
Assistance$_{t-1}$			-0.041***	(0.013)		
Healthcare$_{t-1}$					-0.068***	(0.016)
Lagged Difference						
ΔUnemployment$_{t-1}$	0.258***	(0.068)				
ΔAssistance$_{t-1}$			0.150**	(0.060)		
ΔHealthcare$_{t-1}$					0.129**	(0.053)
ΔLogGDP$_{t-1}$	1.267*	(0.680)	0.751**	(0.368)	2.607***	(0.532)
R^2	0.473		0.213		0.289	
Observations	620		627		637	
Countries	22		22		22	

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$. Panel-corrected standard errors in parentheses.

Table B.3: Unemployment and and Sick-Pay Coverage

	Unemployment Coverage				Sick-Pay Coverage			
	(1)		(2)		(3)		(4)	
Structural Relationships								
AIF	0.00	(0.01)	0.09**	(0.04)	-0.01	(0.01)	0.10**	(0.04)
Inequality			0.08**	(0.03)			0.11***	(0.04)
AIF × Inequality			-0.26**	(0.12)			-0.36**	(0.14)
Segregation			-0.00	(0.02)			0.01	(0.01)
AIF × Segregation			0.01	(0.06)			-0.00	(0.04)
Veto	-0.00	(0.00)	-0.00	(0.00)	-0.00	(0.00)	-0.00	(0.00)
Short-Term Relationships								
ΔLeft	0.00	(0.00)	0.00	(0.00)	-0.00	(0.00)	-0.00	(0.00)
ΔChristDem	-0.00	(0.00)	-0.00	(0.00)	0.00	(0.00)	0.00	(0.00)
ΔCWB	0.00	(0.00)	0.00	(0.00)	0.00	(0.00)	0.00*	(0.00)
ΔUnemployment	-0.00	(0.00)	-0.00*	(0.00)	-0.00***	(0.00)	-0.00***	(0.00)
ΔLogGDP	0.05	(0.04)	0.05	(0.04)	0.06	(0.04)	0.05	(0.04)
Long-Term Relationships								
Left_{t-1}	-0.00	(0.00)	-0.00	(0.00)	-0.00	(0.00)	-0.00	(0.00)
ChristDem_{t-1}	-0.00	(0.00)	-0.00	(0.00)	-0.00	(0.00)	-0.00	(0.00)
CWB_{t-1}	0.00	(0.00)	0.00*	(0.00)	0.00	(0.00)	0.00*	(0.00)
$\text{Unemployment}_{t-1}$	0.00	(0.00)	-0.00	(0.00)	0.00	(0.00)	-0.00	(0.00)
LabForce_{t-1}	0.00	(0.00)	0.00*	(0.00)	0.00	(0.00)	0.00	(0.00)
FemLabForce_{t-1}	-0.00	(0.00)	-0.00	(0.00)	-0.00	(0.00)	-0.00	(0.00)
Pop65_{t-1}	-0.00	(0.00)	-0.00	(0.00)	-0.00	(0.00)	-0.00	(0.00)
LogTrade_{t-1}	0.00	(0.00)	0.00	(0.00)	0.00	(0.00)	0.00	(0.00)
LogGDP_{t-1}	0.00	(0.00)	0.00	(0.00)	0.01*	(0.00)	0.01*	(0.00)
Error-Correction Term								
UnempCover_{t-1}	-0.02***	(0.01)	-0.04***	(0.01)				
SickCover_{t-1}					-0.02***	(0.01)	-0.05***	(0.01)
Lagged Difference								
$\Delta\text{UnempCover}_{t-1}$	0.16**	(0.07)	0.16**	(0.07)				
$\Delta\text{LogGDP}_{t-1}$	0.00	(0.03)	-0.01	(0.03)	0.04	(0.03)	0.02	(0.03)
R^2	0.110		0.129		0.144		0.177	
Observations	539		539		535		535	
Countries	20		20		20		20	

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$. Panel-corrected standard errors in parentheses.

Table B.4: *Employment Protection Legislation (EPL)*

AIF	-19.924*	(6.707)
Inequality	-11.582*	(4.657)
AIF × Inequality	51.867*	(18.148)
Segregation	2.474	(6.551)
AIF × Segregation	-7.596	(18.838)
Veto	0.258	(0.294)
Left	0.006	(0.010)
ChristDem	0.016	(0.029)
CWB	-0.139	(0.368)
Unemployment	0.040	(0.143)
LabForce	-0.026	(0.073)
FemLabForce	0.155	(0.075)
UnionDensity	-0.012	(0.013)
Pop65	0.049	(0.184)
LogTrade	0.730	(1.059)
LogGDP	-1.181	(1.198)
ΔLogGDP	4.448	(42.663)
R^2	0.950	
Observations	562	
Countries	21	

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$. Standard
errors in parentheses.

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Table B.5: *Relative Income Inequality Reduction after Taxes and Transfers*

	(1)		(2)		(3)		(4)	
Structural Relationships								
AIF	0.009	(0.063)	0.173**	(0.087)	0.093	(0.101)	0.169*	(0.102)
Inequality			0.091	(0.061)			0.087	(0.063)
AIF × Inequality			-0.435***	(0.157)			-0.373*	(0.195)
Segregation					0.029	(0.149)	-0.006	(0.169)
AIF × Segregation					-0.208	(0.392)	-0.030	(0.497)
Veto	-0.006	(0.005)	-0.005	(0.004)	-0.004	(0.004)	-0.005	(0.004)
Short-Term Relationships								
ΔLeft	-0.000	(0.000)	-0.000	(0.000)	-0.000	(0.000)	-0.000	(0.000)
ΔChristDem	0.001**	(0.000)	0.001**	(0.000)	0.001**	(0.000)	0.001**	(0.000)
ΔCWB	0.014*	(0.008)	0.009	(0.008)	0.010	(0.009)	0.010	(0.009)
ΔUnemployment	0.009***	(0.003)	0.009***	(0.003)	0.009***	(0.003)	0.009***	(0.003)
ΔLogGDP	0.180**	(0.078)	0.145**	(0.072)	0.162**	(0.073)	0.147*	(0.076)
Long-Term Relationships								
Left$_{t-1}$	0.000	(0.000)	0.000	(0.000)	0.000	(0.000)	0.000	(0.000)
ChristDem$_{t-1}$	0.001***	(0.000)	0.001***	(0.000)	0.001**	(0.000)	0.001***	(0.000)
CWB$_{t-1}$	0.020***	(0.006)	0.016**	(0.007)	0.017***	(0.007)	0.017**	(0.007)
Unemployment$_{t-1}$	0.004**	(0.002)	0.003*	(0.002)	0.004*	(0.002)	0.003	(0.002)
LabForce$_{t-1}$	0.001	(0.002)	0.000	(0.001)	0.000	(0.001)	0.000	(0.001)
FemLabForce$_{t-1}$	0.007*	(0.004)	0.007**	(0.003)	0.007**	(0.003)	0.007**	(0.003)
Pop65$_{t-1}$	0.004	(0.004)	0.001	(0.003)	0.003	(0.003)	0.002	(0.004)
LogTrade$_{t-1}$	0.019	(0.017)	0.023*	(0.014)	0.026*	(0.015)	0.022	(0.015)
LogGDP$_{t-1}$	0.015	(0.029)	0.009	(0.026)	0.004	(0.024)	0.008	(0.025)
Error-Correction Term								
GiniReduction$_{t-1}$	-0.598***	(0.125)	-0.471***	(0.109)	-0.481***	(0.114)	-0.480***	(0.109)
R^2 (Overall)	0.404		0.451		0.443		0.452	
Observations	88		88		88		88	
Countries	19		19		19		19	

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$. Robust standard errors in parentheses.

APPENDIX C

Alternative Model Specifications

To verify that the findings presented in Chapter 3 are not driven solely by my error-correction model, I reran the primary analyses using several alternative model specifications:

- **Error-Correction Model with 3-Year Moving Averages:** This model is identical to my original ECM, but, to accommodate the possibility that the dynamic short- and long-term relationships operate gradually rather than annually, I replace all yearly control variables with their 3-year moving average (the average of lags 1 to 3).

- **Error-Correction Model without Institutional and Political Variables:** This model is identical to my original ECM, but the institutional and political variables, which could be suspected as endogenous to cleavage structures, are omitted. These include the veto points index, the share of cabinet portfolios held by the left and by the Christian-democratic parties, and centralization of wage bargaining.

- **Standard Lagged Dependent Variable (LDV) Model:** This model estimates a time-series cross-sectional regression in which the dependent variable is regressed on my key explanatory variables, the first lag of all control variables, on the dependent variable's own first lag.

- **LDV with 3-Year Moving Averages:** The same LDV model is estimated with the 3-year moving averages of all control variables instead of their first annual lag.

- **Minimal Cross-Sectional Model with a Between-Effects Estimator:** The between-effects estimator omits the temporal dynamics and runs a simple cross-sectional regression with sample averages of all variables per country. Due to the small number of observations and degrees of freedom, the model includes only the explanatory variables, as well as GDP and GDP growth (controlling for its mechanical effect as the denominator of public social spending). For the same reasons, I also estimate each interaction separately and expect cruder levels of statistical noise.

Tables C.1, C.2, and C.3 present the results. For ease of presentation, each cell indicates whether a given specification replicates the respective model's primary coefficients of interest: (1) the interaction of diversity and intergroup inequality and (2) the interaction of diversity with intergroup segregation. If each coefficient retains the same sign and statistical significance as the original model, it is marked as "*Yes*" in the table. If the coefficient retains its correct sign but loses its statistical significance, I mark it as "*No sig.*" (the p-value is noted specifically if it is very close to the threshold of $p < 0.1$). Finally, if the coefficient switches to the wrong sign, with or without statistical significance, I mark it as "*No*". Thus, an inspection of the columns indicates how well each specification performs across all models and an inspection of the rows indicates how well each model performs across specifications. The results demonstrate that my findings are robust in both respects. The few exceptions do not repeat systematically across specifications and variables and likely reflect the lower fit of certain models to the data.

Finally, as noted in Chapter 3, I also reran my analyses with two alternative measures of intergroup inequality and of regional segregation to dispel concerns of endogeneity or measurement validity. The two variables, one from Alesina, Michalopoulos and Papaioannou (2016) and the other from Alesina and Zhuravskaya (2011), are reviewed in the chapter. As I explain there, the alternative inequality measure, which is based on nighttime satellite imagery by ethnic groups' historic homelands, is estimated without my segregation measure due to potential confounding.

The alternative segregation measure, by contrast, is estimated together with my original intergroup income inequality measure. The results are summarized in table C.4 using the same abbreviations as in tables C.1–C.3. These estimations, too, corroborate my findings.

Table C.1: *Alternative Specifications: Error-Correction Model Adjustments*

	3-Year MA		No Pol./Inst. Vars	
Model by Outcome	Inequality	Segregation	Inequality	Segregation
Overall Spending	Yes	Yes	Yes	Yes
Spending, Age	Yes	Yes	Yes	Yes
Qualification, Age	Yes	No Sig.	Yes	No
Spending, Incapacity	Yes	Yes	Yes	Yes
Spending, Unemployment	Yes	No Sig.	Yes	No Sig.
Spending, Assistance	Yes	Yes	Yes	Yes
Spending, Healthcare	Yes	Yes	Yes	Yes
Coverage, Unemployment	Yes	Yes	Yes	Yes
Coverage, Sick-Pay	Yes	Yes	Yes	Yes

Yes: reproduces ECM findings in sign and in statistical significance ($p < 0.1$);
No sig.: reproduces ECM findings in sign but not in statistical significance;
No: reproduces ECM findings in neither sign nor significant.

Table C.2: *Alternative Specifications: Lagged-Dependent Variable (LDV) Model*

	Standard		3-Year MA	
Model by Outcome	Inequality	Segregation	Inequality	Segregation
Overall Spending	Yes	Yes	Yes	Yes
Spending, Age	Yes	Yes	Yes	Yes
Qualification, Age	Yes	Yes	Yes	Yes
Spending, Incapacity	Yes	Yes	Yes	Yes
Spending, Unemployment	Yes	Yes	Yes	No Sig.
				($p = 0.126$)
Spending, Assistance	Yes	Yes	Yes	Yes
Spending, Healthcare	Yes	Yes	Yes	Yes
Coverage, Unemployment	Yes	Yes	Yes	Yes
Coverage, Sick-Pay	Yes	Yes	Yes	Yes

Yes: reproduces ECM findings in sign and in statistical significance ($p < 0.1$);
No sig.: reproduces ECM findings in sign but not in statistical significance;
No: reproduces ECM findings in neither sign nor significant.

Table C.3: *Alternative Specifications: Cross-Sectional Model (Between-Effects Estimator)*

Model by Outcome	Inequality	Segregation
Overall Spending	Yes	No Sig.
Spending, Age	Yes	Yes
Qualification, Age	Yes	No Sig.
Spending, Incapacity	Yes	No Sig.
Spending, Unemployment	Yes	No Sig.
Spending, Assistance	Yes	No Sig.
Spending, Healthcare	Yes	No Sig.
Coverage, Unemployment	Yes	Yes
Coverage, Sick-Pay	Yes	Yes

Yes: reproduces ECM findings in sign and in statistical significance ($p < 0.1$);

No sig.: reproduces ECM findings in sign but not in statistical significance;

No: reproduces ECM findings in neither sign nor significant.

Table C.4: *Alternative Measures of Intergroup Inequality and Regional Segregation*

Model by Outcome	Inequality	Segregation
Overall Spending	Yes	No Sig.
Spending, Age	Yes	Yes
Qualification, Age	Yes	No Sig.
Spending, Incapacity	Yes	Yes
Spending, Unemployment	Yes	Yes
Spending, Assistance	Yes	Yes
Spending, Healthcare	Yes	Yes
Coverage, Unemployment	No Sig.	Yes
Coverage, Sick-Pay	No Sig.	Yes
Decentralization	No	Yes

Yes: reproduces ECM findings in sign and in statistical significance ($p < 0.1$);

No sig.: reproduces ECM findings in sign but not in statistical significance;

No: reproduces ECM findings in neither sign nor significant.

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