SUPPLEMENTARY MATERIAL

THE POLITICAL REPRESENTATION OF ECONOMIC INTERESTS
Subversion of Democracy or Middle-Class Supremacy?

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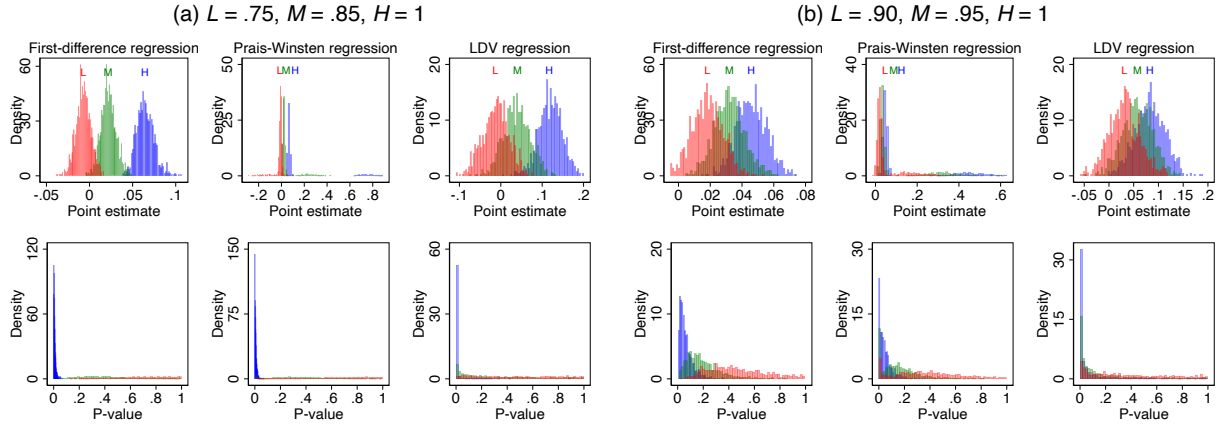
Web Appendix A: Simulating Political Representation

In Figure A1, we present results from 1000 trials of our simulation. Figure A1 (a) shows that with the preference structure assumed in the main text *H* has the strongest positive effect (that is significantly different from zero at p<0.05) in 99.1 percent, 99.6 percent, and 92.7 percent of the trials using first-difference (FD), Prais-Winsten (PW), and LDV regression, respectively. In 99.3 percent, 90.2 percent, and 76.5 percent of the trials *H* is the *only* group that matters using FD, PW, and LDV regression, respectively.

When differences in information are smaller, the estimates are less stable but the models still produce substantively similar results. In Figure A1 (b), we have lowered the share of people with a household understanding to 10 percent for *L* and 5 percent for *M*. Using the FD, PW, and LDV regressions, *H* comes out as most influential in 49.6 percent, 59 percent, and 61.6 percent of the trials, and in 48 percent, 41 percent, and 38.2 percent of the trials only *H matters.*

In sum, the simulation demonstrates that it only requires a small share of people in *L* and *M* with a household understanding of fiscal policy to produce very consistent findings that *H* is most influential, even when the mean spending level (.3) perfectly reflects the mean preference of *M*.

Figure A1. 1000 Simulation Trials of Political Representation Assuming the Shares of People with Keynesian Preferences Are *L*=.75, *M*=.85, *H*=1 (a) and *L*=.90, *M*=.95, *H*=1 (b).



Note: The horizontal positions of *L*, *M*, and *H* reflect the mean point estimates.

Web Appendix B: Alternative Model Specifications: The Micro Evidence

Table B1 shows that the results presented in Table 3 in the main text are robust to controlling for the state of the economy, trends, and common shocks.

Table B1. The Effect of Absolute Support for Redistribution on the Level of Social Spending, by Income Group Including Economic Controls

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Social Spending as Percentage of GDP							
Low income	8.81*			4.92	0.43			-3.10
	(2.83)			(5.69)	(2.26)			(2.77)
Middle income		7.63*		14.07*		2.54		4.57
		(2.24)		(4.93)		(2.10)		(2.82)
High income			1.46	-11.17*			0.94	0.08
			(2.00)	(3.47)			(1.71)	(2.19)
Population 65+ (%)	0.99*	0.93*	1.12*	0.94*	0.49*	0.50*	0.50*	0.49*
	(0.15)	(0.16)	(0.15)	(0.14)	(0.11)	(0.11)	(0.11)	(0.11)
GDP pr. capita (ln)	3.39+	3.11+	2.64	2.27	-5.48	-4.25	-5.25	-4.51
	(1.75)	(1.78)	(1.74)	(1.61)	(3.40)	(3.37)	(3.39)	(3.32)
Unemployment	0.20+	0.18+	0.26*	0.21*	0.22*	0.23*	0.22*	0.22*
	(0.11)	(0.11)	(0.12)	(0.10)	(0.07)	(0.07)	(0.07)	(0.07)
Real GDP growth	-0.11	-0.15	-0.14	-0.16	-0.22*	-0.24*	-0.23*	-0.25*
	(0.16)	(0.15)	(0.14)	(0.15)	(0.08)	(0.08)	(0.08)	(0.08)
Year FE	✓	✓	✓	✓	✓	✓	✓	✓
Country FE					✓	✓	✓	✓
Constant	-37.82*	-32.50+	-26.39	-27.17	63.22+	49.39	60.78+	52.96
	(18.81)	(19.00)	(18.28)	(17.37)	(35.87)	(35.55)	(35.55)	(35.04)
R-squared	0.75	0.79	0.79	0.80	0.96	0.96	0.96	0.96
N	140	140	140	140	140	140	140	140
N of countries	21	21	21	21	21	21	21	21

Note: * $p<0.05$, + $p<0.1$. Standard errors corrected for heteroscedasticity in parentheses. Data on the percentage of elderly are from the UN World Population Prospects 2017 database. GDP pr. capita is measured in 2010 US dollars at constant PPP using OECD data. Data on real GDP growth and unemployment are from Armingeon et al. (2018). To maintain a full sample, we have extrapolated nine values of the elderly population, all from 2015 to 2016.

Web Appendix C: Predicting Information by Income Quintile and Level of Education

The estimated is based on the Comparative Study of Electoral Systems (CSES). The period of coverage runs from 1996 through 2011, and we have data for the same 21 advanced democracies as in the ISSP surveys. We measure political information as the number of correct answers to three factual questions about national politics, and we report the results in Table C1. The table shows that information increases with income independently of education. The probabilities reported in the text are based on the results in model (1) of Table C1, since they correspond most directly to the income-based measures of influence used in the main analysis.

Table C1. Ordered Probit Results for the Effect of Income and Education on Information.

	(1)	(2)
	Political Information	
Income Q2	0.19*	0.17*
	(0.03)	(0.03)
Income Q3	0.31*	0.25*
	(0.05)	(0.05)
Income Q4	0.37*	0.27*
	(0.05)	(0.05)
Income Q5	0.51*	0.36*
	(0.07)	(0.06)
Incomplete secondary education		0.14*
		(0.05)
Complete secondary education		0.21*
		(0.05)
Postsecondary vocational or trade school degree		0.25*
		(0.09)
At least some university education		0.52*
		(0.06)
Cutpoint 1	-0.76*	-0.59*
	(0.07)	(0.07)
Cutpoint 2	0.15*	0.33*
	(0.06)	(0.07)
Cutpoint 3	0.89*	1.07*
	(0.07)	(0.09)
Pseudo R-squared	0.01	0.02
N	81,730	80,164

Note: * p<0.05, + p<0.1. Standard errors clustered by country in parentheses. Income Q1 and primary education (or less) are categories omitted in the estimation.

Web Appendix D: Class Preferences and Transfer Rates with Coalition Governments

The preferred taxation of *H* is straightforward since *H* wants to minimize transfers to *M* (or to *L*), and since regressive taxation is ruled out *H* simply sets the tax rate equal to zero $t_H^* = 0 \quad \Rightarrow \quad \tau_H^{H*} = 0$. *L* wants to tax both *M* and *H* to maximize transfers to itself $y_L^{net} = y_L + t \cdot (y_M + y_H - \tfrac{1}{2} \cdot \alpha \cdot t \cdot (y_M + y_H))$, which implies a tax rate of $t_L^{M*} = t_L^{H*} = \frac{1}{\alpha}$, and a net income of $y_L^{net*} = y_L + \tfrac{1}{2} \cdot \frac{y_M + y_H}{\alpha}$. Total taxation demanded by *L* is greater than for *M,* since *L* wants to tax 2/3 of all income by $1/\alpha$, whereas *M* only taxes 1/3 of all income (again, *H* sets taxes equal to 0). This is the preference ordering assumed in Figure 1 in the main text.

L's optimal transfer as a share of the net income of *M* and *H* (*L*'s transfer rate) is identical to *M*'s optimal transfer rate from *H*: $\tau_L^{M,H*} = \frac{T_L}{y_M^{net} + y_H^{net}} = \frac{\tfrac{1}{2} \cdot \frac{y_M + y_H}{\alpha}}{(y_H + y_M) \cdot \left(1 - \frac{3}{2\alpha}\right)} = \frac{1}{2\alpha - 3}$.

This completes the definition of preferences for each class. The next question is how political power shapes actual outcomes.

If *M* and *H* share power the observed transfer ratio is a weighted average of the preferred levels by M and H: $\tau_M^H(MH) = w_{M/H} \cdot \frac{1}{2 \cdot \alpha - 1} + (1 - w_{M/H}) \cdot 0 = w_{M/H} \cdot \frac{1}{2 \cdot \alpha - 1}$, where $w_{M/H} = [0,1]$ is a weight that measures the political power of *M* over *H* (*MH* indicates that both *M* and *H* matter politically). Since we cannot observe α we cannot identify $w_{M/H}$, but we can test empirically whether the transfer rate, τ_M^H, responds to the relative income of *M* and *H*, as opposed to who are in government. If the democratic subversion thesis is correct, we should observe that $\tau_M^H(MH) = f(w_{M/H}) = g(y_M^{'} / y_H^{'})$, where $y_M^{'} / y_H^{'}$ are the observed relative pre-fisc incomes of *M* and *H*. In a model where the middle class is pivotal, as in the main text, the transfer rate is the preferred rate of *M.* As explained in the main text, we can infer that τ_M^H in that case will be orthogonal to $y_M^{'} / y_H^{'}$: $\tau_M^H(M) \perp y_M^{'} / y_H^{'}$. Note that this implication is stark because it means that even if top-end inequality, $y_H^{'} / y_M^{'}$ rises, as it has in most countries, this should have no effect on the transfer rate, which will remain constant (ceteris paribus). Note also that this implication is

contrary to the Meltzer-Richard model. The reason is that the M-R model implicitly assumes that the interests of *L* and *M* are aligned so that when *M*'s income falls its preference for taxation rises. As soon as taxes and benefits can be targeted, *M* always wants to tax as much as it can and spend the proceeds on itself.

If government power matters (so the RDM applies) and M cannot govern on its own we need to derive the policy under different government coalitions. We assume such coalitions consist of at most two class parties. In the case of an *MH* coalition the bargain will lie between the optimal tax rate of *M* (which is $\frac{1}{\alpha}$) and the optimal tax rate of *H* (which is 0):

$t_M^{H*}(MH) = w_M \cdot \frac{1}{\alpha} + (1 - w_M^H) \cdot 0 = \frac{w_M}{\alpha}$, where $w_M = [0,1]$ is the bargaining weight of *M* vis a vis *H*. If the parties split their policy differences (i.e., have equal bargaining weights), *M* gets a transfer of $\frac{1}{2 \cdot \alpha} \cdot y_H$. Empirically we may think of w_M^H as the relative seat share of *M* in a coalition government with *H*. The case of an *LM* coalition is more complicated because both *L* and *M* can tax *H*, and *L* can also tax *M*. So *L* and *M* must compromise on both dimensions. The policy vector is $P_j = \{t_L^H, t_M^H, t_L^M\}$, but because there is no incentive by either *L* or *M* to tax *H* beyond the point where additional taxation leads to lower revenues, the former two policies lie on a line. The logic is illustrated in Figure D1, where each axis represents a tax rate in the policy space and where the optimal taxation of *H* is constrained to a linear combination of taxes preferred by *L* and *M*.[1] The optimal policies of *L* and *M* are indicated by solid circles. When *L* and *M* form a coalition, they must find a compromise that divide the difference between their preferred policies. If the compromise is a simple 50-50 split, half the taxes on *H* will go to *L* and the other half to *M*, and *M* will only be taxed half the rate of that preferred by *L*. This is the case illustrated in Figure D1. But this may not be a feasible outcome if *M* has the option of allying with *H*, since *M* should then be able get at least as much as it can get from *H* (which is *M*'s outside option). In the split-the-difference scenario above, that means that M must get

[1] This assumes that *H* has no economic power to influence policies. We control for such influence in the empirical estimation.

$T_M = \frac{1}{2 \cdot \alpha} \cdot y_H$, which is the middle of the solid line in Figure D1. Indeed, in any scenario with a binding outside constraint, the *LM* bargain must lie on this line. This implies that *M* gets the same in an *LM* coalition as in an *MH* coalition. In general, both *L* and *M* would be expected to get a share of the "full" taxation of *H* that equals their bargaining weight:[2]

$$\begin{aligned} T_M &= w_M \cdot \frac{1}{\alpha} \cdot y_H \\ T_L &= (1 - w_M) \cdot \frac{1}{\alpha} \cdot y_H \end{aligned},$$

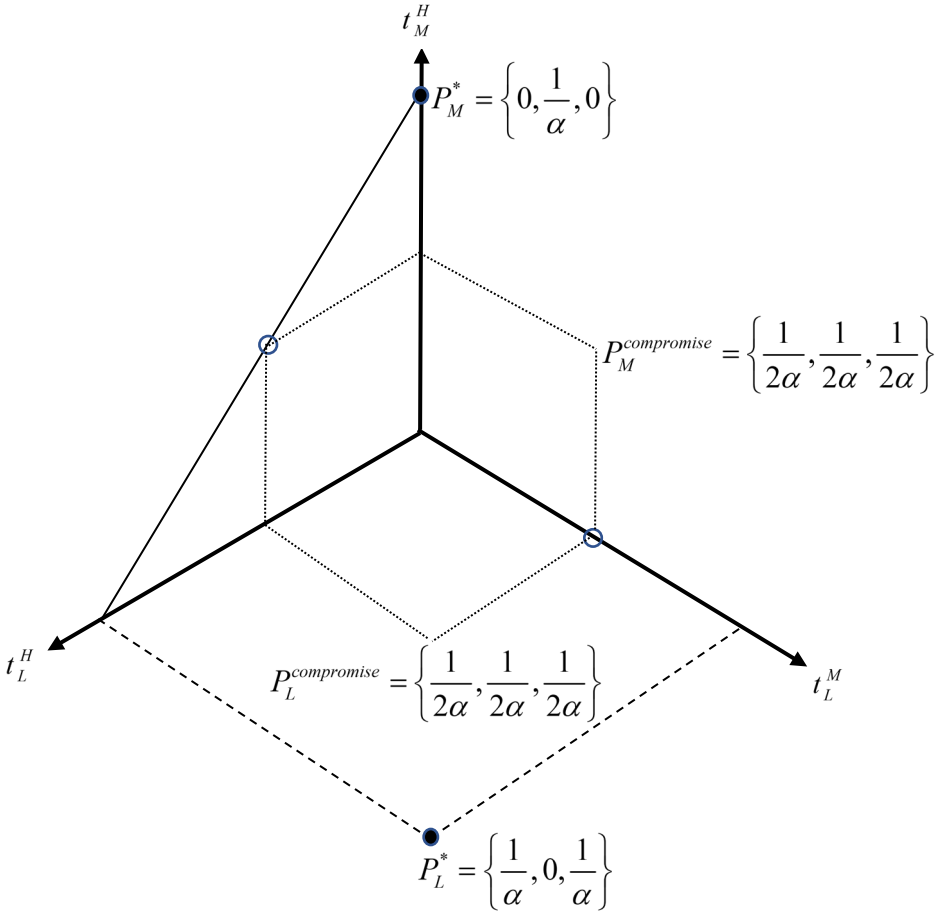
where $w_M = [0,1]$ is again the bargaining weight of *M* relative to *L*. The net transfer rates from *H* to *M* and *L* are then:

$$\tau_M^H(LM) = \frac{T_M}{y_H^{net}} = \frac{w_M \cdot \frac{1}{\alpha} \cdot y_H}{y_H - \frac{3}{2} \cdot \frac{y_H}{\alpha}} = \frac{w_M}{\alpha - \frac{3}{2}}$$

$$\tau_L^H(LM) = \frac{T_L}{y_H^{net}} = \frac{1 - w_M}{\alpha - \frac{3}{2}}$$

[2] Admittedly, *L* may have bargaining leverage over *M* either because it can offer *M* concessions in other policy areas, or because *H* and *M* cannot fully exclude *L* from sharing the spending in an *MH* coalition (as in Iversen and Soskice 2006). Either way, it would reduce *M*'s transfer rate. We let the data speak to whether that is the case.

Figure D1. The Taxation Policy Space (Example: *LM* Coalition with 50-50 Split of Policy Differences).



Note: The policy vector is $P_j = \left\{t_L^H, t_M^H, t_L^M\right\}$

Web Appendix E: Allocating the Value of Services and the Cost of Taxation to Each Income Group

As explained in the main text, we include the value of services in the net "extended" income (disposable cash income + the net (after tax) value of services) of the income groups using estimates computed from the OECD/EU database on the distributional impact of in-kind services (OECD 2011, ch. 8). The estimates include the value of education, health care, social housing, elderly care, and early childhood education and care, and are measured as a share of disposable income. For a detailed description of these data, see Verbist, Förster, and Vaalavuo (2012).

Before adding the value of services to the disposable income of the income groups, we made the following adjustments. First, because of missing data for Switzerland we assigned it the average value of countries belonging to the conservative welfare state cluster (Germany, Austria, Italy, and France). Second, country-specific estimates are only publicly available for the overall population. We therefore adjusted the value of services to reflect our working household sample by the ratio of the OECD average value for the working age population (18-65 years) to the overall population, lowering the value by roughly 20 percent in all countries (using estimates from Verbist, Förster, and Vaalavuo 2012, 33-34). Third, the OECD/EU estimates of the value of services are only calculated for 2007 and not all countries have data for 2007 in the LIS database. We therefore matched the OECD/EU estimates to the year closest to 2007 for Australia (2008), Belgium (1997), and Sweden (2005). To get time-varying estimates, we adopted a production cost approach and imputed the value of services in years other than the base-year (2007 or the year closest to it) assuming that the ratio of the value of services/transfers moves proportional to the ratio of spending on services/transfers.[3] Specifically, we multiplied the country-specific estimates of the value of services as a share of disposable income by total disposable income and divided by total transfers received. Then, this ratio of the value of services/transfers from the base-year was multiplied by the ratio of spending on services/transfers indexed to 1 in the base-year, using OECD data on spending on services and transfers. Finally, we multiplied the ratio of

[3] This is a standard approach to estimate the value of services. The OECD/EU estimates are also calculated using a production cost approach with the exception of social housing, where the value is calculated from the prevailing market rents (Verbist, Förster, and Vaalavuo 2012, 13).

the value of services/transfers by total transfers received to get the total gross value of services for each country-year.

The total gross value of services is distributed to each income group's cash disposable income using an allocation key computed from the OECD/EU database on the distributional impact of in-kind services.[4] The allocation key is only calculated for 2007 but the distributive impact of services is fairly stable over time and seems to be driven almost entirely by changes in level of spending (Verbist, Förster, and Vaalavuo 2012, 60). We therefore assign the country and quintile specific values from 2007 to all years.[5] The quintile specific values are recalculated to fit our deciles using the ratio of the value of services for the first quintile (q1) to the value of services for q1+q2 as a weight for the first decile (d1) and the inverse for d2 and so on. At the top, we assign an equal weight of the value of q5 to d9 and d10. This ensures that services also have a redistributive effect between deciles within a quintile and that it becomes less redistributive towards the upper end of the income distribution, just as the quintile-specific estimates suggest (see Verbist, Förster, and Vaalavuo 2012, 35).

Finally, we need to allocate the costs of transfers and services to the income deciles' disposable income. The costs are paid for by tax revenues that primarily come from taxation of income, capital, property and wealth, and consumption. Income taxes are accounted for in the LIS data. We treat business taxes as neutral with respect to the income classes and simply add it to government revenues. Remaining costs are covered by (i) property and wealth taxes, which are paid almost exclusively by households in the absolute top of the income distribution and we therefore add it to the tax burden of the top income decile, and (ii) consumption taxes, which we assume are paid in proportion to each income decile's consumption share and allocate accordingly.

We rely on OECD data to include revenues from taxation of capital, and property and wealth (OECD Revenue Statistics Database). Data on consumption shares are from the Eurostat Household Budget Survey for EU member states (and Norway) and from national statistics

[4] We thank Verbist, Förster, and Vaalavuo (2012) for providing us with these data.

[5] Again, data are missing for Switzerland, which is assigned the mean of countries belonging to the conservative welfare state cluster (Germany, Austria, Italy, and France).

bureaus for non-EU countries (Australia, Canada, Iceland, Switzerland, and the United States). In most countries consumption shares are quite stable over time but data are not available for every country-year. We linearly inter- and extrapolate the series to maintain a full sample. In total, we extrapolate five observations, at most nine years back in time (UK:1988→1979) and three years into the future (Norway 2010→2013). Our results do not change when excluding the extrapolated observations.

Web Appendix F: Alternative Model Specifications: The Macro Evidence

Table F1. Determinants of Net Transfers to *M* as a Percentage of *H*'s Net Extended Income, Including Extra Controls

	(1)	(2)	(3)	(4)
	Transfer rate *M* (%)		Transfer rate *M* incl. insurance (%)	
P90/P50	3.73	3.19	4.01	3.40
	(4.97)	(4.66)	(3.90)	(3.59)
P50/P10	1.03	1.32	2.36*	2.70*
	(0.92)	(0.88)	(0.93)	(0.88)
Trade openness (ln)	1.95	1.45	2.13	1.55
	(2.52)	(2.19)	(2.70)	(2.38)
Capital market openness	3.63	2.72	3.41	2.37
	(2.75)	(2.24)	(2.77)	(2.06)
Government partisanship (right)		-3.92*		-4.50*
		(1.14)		(1.52)
Labor force participation	0.02	-0.07	-0.09	-0.19*
	(0.09)	(0.07)	(0.09)	(0.09)
Real GDP growth	-0.09	-0.09	-0.19	-0.19+
	(0.11)	(0.09)	(0.12)	(0.10)
Population 65+ (%)	-0.56	-0.38	-0.45	-0.24
	(0.46)	(0.51)	(0.42)	(0.46)
Voter turnout	0.08	0.11+	0.11+	0.14*
	(0.05)	(0.06)	(0.05)	(0.06)
Union density	-0.01	0.03	0.02	0.06
	(0.10)	(0.06)	(0.11)	(0.07)
Bargaining Coverage (adjusted)	-0.07	-0.06	-0.08	-0.07
	(0.06)	(0.06)	(0.06)	(0.06)
Trend	-0.61*	-0.48*	-0.57*	-0.42+
	(0.21)	(0.22)	(0.20)	(0.21)
$Trend^2$	0.01*	0.01*	0.01*	0.01+
	(0.00)	(0.00)	(0.00)	(0.00)
Country FE	✓	✓	✓	✓
Constant	-5.97	-4.57	-5.57	-3.96
	(16.83)	(14.48)	(14.60)	(12.28)
R-squared	0.45	0.53	0.52	0.61
N	104	104	104	104
N of countries	18	18	18	18

Note: * p<0.05, + p<0.1. Standard errors clustered by country in parentheses.

Table F2. Determinants of Net Transfers to *M* as a Percentage of *H*'s Net Extended Income, Random Effects Models

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Transfer rate *M* (%)				Transfer rate *M* incl. insurance (%)			
P90/P50	4.89	6.21+	4.42	4.38	4.53	6.46*	5.04	5.40+
	(3.65)	(3.63)	(3.99)	(4.06)	(3.17)	(2.85)	(3.23)	(3.13)
P50/P10	1.38*	1.36*	1.57*	1.69*	2.66*	2.64*	2.84*	2.98*
	(0.51)	(0.45)	(0.65)	(0.60)	(0.51)	(0.44)	(0.62)	(0.55)
Trade openness (ln)	1.47	1.48	0.87	1.29	1.48	1.61+	0.76	1.21
	(1.18)	(1.17)	(1.62)	(1.56)	(1.04)	(0.96)	(1.42)	(1.32)
Capital market openness	0.40	0.01	1.71	1.41	-0.71	-1.41	1.44	0.91
	(2.06)	(2.11)	(1.86)	(1.99)	(2.87)	(2.99)	(2.10)	(2.35)
Government		-2.92*		-3.52*		-3.19*		-3.61*
partisanship (right)		(1.04)		(0.71)		(1.14)		(0.88)
Labor force	-0.05	-0.03	-0.03	-0.04	-0.14*	-0.10	-0.08	-0.08
participation	(0.08)	(0.08)	(0.08)	(0.08)	(0.07)	(0.07)	(0.07)	(0.07)
Real GDP growth			-0.06	-0.06			-0.14	-0.14
			(0.14)	(0.11)			(0.15)	(0.12)
Population 65+ (%)			-0.47	-0.58+			-0.41+	-0.56*
			(0.30)	(0.32)			(0.23)	(0.24)
Voter turnout			0.04	0.03			0.06*	0.06
			(0.04)	(0.05)			(0.03)	(0.04)
Mod. PR (AU)			-2.21	-3.32			-1.86	-2.85
			(1.88)	(2.05)			(1.73)	(1.95)
PR			0.77	-0.93			1.41	-0.14
			(1.49)	(1.76)			(1.45)	(1.64)
Trend	-0.36*	-0.35*	-0.42*	-0.38*	-0.32+	-0.31*	-0.42*	-0.37*
	(0.16)	(0.13)	(0.21)	(0.19)	(0.17)	(0.13)	(0.21)	(0.18)
$Trend^2$	0.01*	0.01*	0.01*	0.01*	0.01+	0.01+	0.01*	0.01*
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Constant	-8.82	-12.21	-5.00	-3.04	-2.39	-8.44	-6.01	-4.89
	(13.02)	(12.87)	(14.42)	(14.29)	(10.31)	(10.12)	(10.57)	(10.86)
N	110	110	107	107	110	110	107	107
N of countries	18	18	18	18	18	18	18	18

Note: * p<0.05, + p<0.1. Standard errors clustered by country in parentheses.

Table F3. Determinants of Net Transfers to *L* as a Percentage of *H*'s Net Extended Income

	(1)	(2)	(3)	(4)
	Transfer rate *L* (%)			
P90/P50	-5.81	-6.45	-7.53	-8.63
	(7.73)	(7.25)	(7.99)	(7.60)
P50/P10	3.98*	4.55*	4.77*	5.38*
	(1.05)	(0.95)	(1.10)	(1.03)
Trade openness (ln)	-7.75+	-7.68+	-5.28	-6.32
	(4.42)	(4.24)	(4.26)	(3.77)
Capital market openness	-3.55	-4.34	0.21	-1.66
	(6.44)	(5.72)	(5.54)	(4.01)
Government partisanship (right)		-6.48*		-8.08*
		(2.10)		(2.48)
Labor force participation	-0.01	-0.11	0.15	-0.03
	(0.22)	(0.20)	(0.23)	(0.20)
Real GDP growth			-0.15	-0.16
			(0.26)	(0.21)
Population 65+ (%)			-0.93+	-0.56
			(0.48)	(0.55)
Voter turnout			0.25*	0.31*
			(0.09)	(0.12)
Union density			0.01	0.09
			(0.13)	(0.10)
Bargaining Coverage (adjusted)			-0.02	-0.00
			(0.08)	(0.07)
Trend	-0.38	-0.25	-0.65+	-0.38
	(0.36)	(0.31)	(0.35)	(0.34)
$Trend^2$	0.01	0.01	0.02*	0.01
	(0.01)	(0.01)	(0.01)	(0.01)
Country FE	✓	✓	✓	✓
Constant	62.99*	70.05*	37.50	40.39+
	(29.69)	(27.93)	(23.39)	(19.66)
R-squared	0.32	0.40	0.41	0.52
N	110	110	104	104
N of countries	18	18	18	18

Note: * p<0.05, + p<0.1. Standard errors clustered by country in parentheses.

Table F4. Determinants of Net Transfers to *M* as a Percentage of *H*'s Net Extended Income, Weighed by .5 of *L*'s Transfer Rate

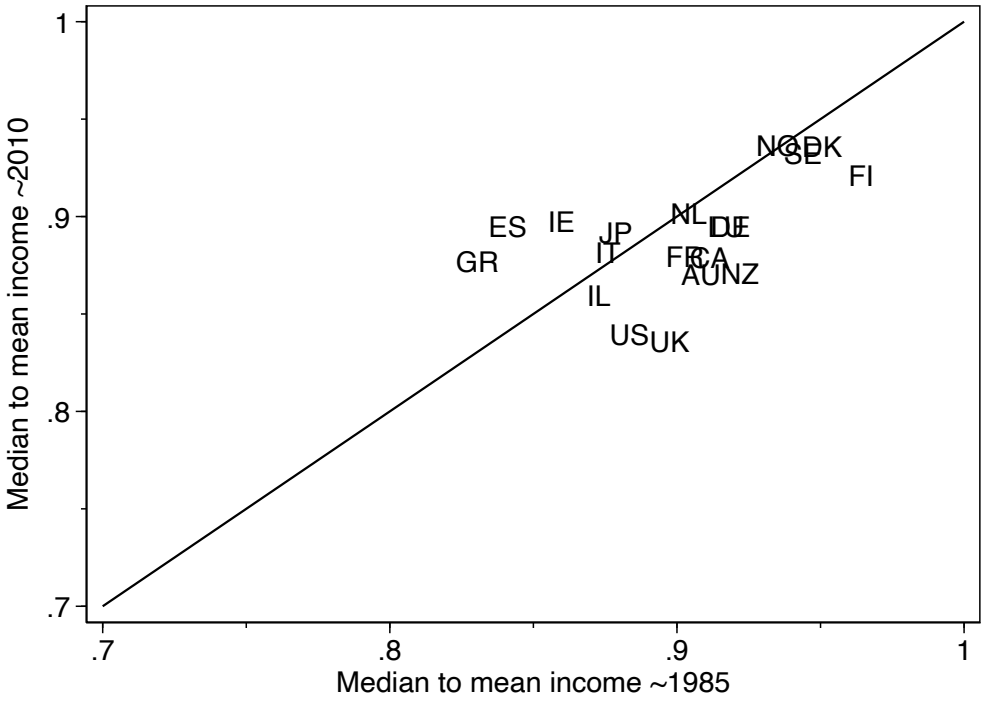
	(1)	(2)	(3)	(4)
	Transfer rate *M* with .5 weight to *L*'s Transfer Rate (%)			
P90/P50	-1.50	-2.01	-1.83	-2.65
	(5.95)	(5.55)	(6.02)	(5.65)
P50/P10	2.50*	2.95*	2.93*	3.39*
	(0.81)	(0.70)	(0.97)	(0.89)
Trade openness (ln)	-3.93	-3.88	-2.62	-3.41
	(3.56)	(3.42)	(2.96)	(2.41)
Capital market openness	-1.00	-1.62	1.02	-0.39
	(4.14)	(3.67)	(4.72)	(3.72)
Government partisanship (right)		-5.08*		-5.99*
		(1.45)		(1.67)
Labor force participation	-0.04	-0.12	0.08	-0.06
	(0.16)	(0.14)	(0.16)	(0.14)
Population 65+ (%)			-0.71+	-0.43
			(0.39)	(0.47)
Voter turnout			0.17*	0.21*
			(0.07)	(0.09)
Union density			-0.01	0.04
			(0.11)	(0.06)
Bargaining Coverage (adjusted)			-0.05	-0.03
			(0.06)	(0.06)
Trend	-0.37	-0.27	-0.67*	-0.47+
	(0.28)	(0.24)	(0.25)	(0.27)
$Trend^2$	0.01+	0.01	0.02*	0.01*
	(0.00)	(0.00)	(0.00)	(0.01)
Country FE	✓	✓	✓	✓
Constant	33.08	38.62+	20.34	22.60
	(23.61)	(22.04)	(21.64)	(18.40)
R-squared	0.32	0.41	0.41	0.53
N	110	110	104	104
N of countries	18	18	18	18

Note: * p<0.05, + p<0.1. Standard errors clustered by country in parentheses.

Web Appendix G: Median to Mean Net Incomes

Figure G1 displays median-to-mean net income ratios for 19 countries around 1985 and 2010. The figure shows that the median net income relative to the mean net income has been stable over this period of time (the mean change is not significantly different from zero). There is some modest variance around the 45-degree line: Spain, Greece, and Ireland have all seen increases of 4.4-6.5 percent, while Australia, Canada, Finland, New Zealand, the United Kingdom, and the United States have all experienced declines of 3.5-6.8 percent. In all cases the relative drop (about 4.8 percent on average) is outpaced by the rise in median (real) incomes (about 34 percent on average).

Figure G1. Median Net Income Relative to Mean Net Income, 1985 – 2010.



Note: The measures for AU, CA, DK, FI, FR, DE, IE, IL, IT, LU, NL, NO, ES, UK, and the US are the disposable income of the median relative to the mean (working households) from the LIS database (authors' calculations). For GR, JP, NZ, and SE the measures are the disposable income of the median relative to the mean (working-age population) from the OECD income distribution database. The start and end points of the countries are; AU: 1985-2010, CA: 1987-2010, DK: 1987-2010, DE: 1984-2010, ES: 1985-2010, FI: 1987-2010, FR: 1984-2010, GR: 1986-2010, IE: 1987-2010, IL: 1986-2010, IT:1986-2010, JP: 1985-2009, LU: 1985-2010, NL: 1983-2010, NO: 1986-2010 NZ: 1985-2009, SE: 1983-2010, UK: 1986-2010, US: 1986-2010.