

Critical Dialogue

Challenging Inequality: Variation across Postindustrial Societies. By Evelyne Huber and John D. Stephens. Chicago: University of Chicago Press, 2024. 376p.
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Challenging Inequality is the latest installment in a massive corpus on welfare-state development and redistributive politics that Evelyne Huber and John D. Stephens have produced over the last four and a half decades. This book belongs to the strand of their scholarship devoted to postindustrial political economies.

Following Thomas Piketty (*Capital in the Twenty-First Century*, 2014), it has become commonplace to posit that income inequality—especially at the top end of the income distribution—has risen across OECD countries since the 1980s. This leads to puzzlement over the drivers of this common trajectory and begs the question as to why democratically elected governments failed to compensate low- and middle-income citizens for rising inequality. Although Huber and Stephens recognize that inequality has been on the rise in most of the countries included in their analyses, *Challenging Inequality* represents a laudable effort to reassert the importance of cross-national diversity for understanding the economic and political determinants of inequality.

The book consists of two parts. The first presents regression results based on pooling data for 21 postindustrial democracies from the 1960s to the late 2010s, while the second presents case studies of Germany, Spain, Sweden, and the US, focusing on policy developments since the early 1990s. The first part makes an important contribution, distinguishing and systematically analyzing the determinants of different dimensions of income inequality. Respectively, the chapters are devoted to gross earnings inequality, the distribution of income among working-age households, top-end income shares, and poverty reduction.

Huber and Stephens' quantitative analyses suggest that unemployment, trade openness, financialization,

and technological change are associated with higher levels of inequality, but the effects of these economic variables turn out to be specific to particular outcome measures. There does not appear to be a single variable that accounts for rising inequality and poverty across measures, years, and countries. Instead, Huber and Stephens find evidence for the power resources theory, namely, that the “differences in the strength of labor and/or Left parties across countries explain much of the wide variation in inequality and poverty that we observe” (p. 3). Their analyses indicate that union power is directly associated with these outcomes, while the effects of government partisanship operate through policies pertaining to the regulation of markets, workers' rights, and investments in education (“pre-distributive policies”) as well as taxation and social spending. Taking direct measures of policy outputs into account, government partisanship no longer correlates directly with inequality and redistribution. What this shows is that governments “have options to counteract the inequality-enhancing pressures exerted by changing labor markets,” including “legislation to strengthen the position of labor” (p. 21).

The regression results presented in the main text are based on estimating models that do not include country-fixed effects, so it seems likely that much of the variation being explained is cross-national rather than temporal. It is also noteworthy that Huber and Stephens' measure of government partisanship is a cumulative one, based on the proportion of cabinet portfolios held by Left parties in each year since 1946. Justifying these choices on the grounds that they are interested in the long-term effects of labor strength and Left government, Huber and Stephens tell their audience that their claims about the causal effects of union strength and government partisanship are not based on their quantitative analyses, but rather on historical sequences and causal mechanisms, established through the case studies and cross-case comparisons that make up the second part of the book (p. 18).

Yet the four case studies in the second part do not entirely deliver on this promise. Relying on secondary sources, the case studies confirm that union strength and government partisanship matter, but tell us little new about how they matter. None of the potential mechanisms

whereby union strength and Left government might affect the distribution of earnings or household income is ruled out by the evidence presented in the second part of the book, and the case studies do not yield strong conclusions as to the relative importance of different mechanisms.

As Huber and Stephens point out early on, the implication of their argumentation and empirical evidence is that the OECD-wide trend of rising income inequality is to be explained, first and foremost, by the decline of unions and by the “increasingly intermittent incumbency of Left parties” (p. 3). Taken on its own terms, *Challenging Inequality* cries out for a more extensive discussion of the widespread decline of union membership and electoral support for the Left over the last few decades.

The book would have also benefitted from more direct engagement with scholars who argue that trade unions have become less egalitarian as their membership has become more white-collar, and that Left parties have retreated from redistribution as they have increasingly sought to mobilize middle-class voters based on progressive “cultural” issues. Much of Huber and Stephens’ analysis assumes that the values of their independent variables have changed over time, but the effects of these variables appear not to have changed. In two instances—the analysis of disposable household income inequality in Chapter 3 and the analysis of poverty in Chapter 5—they show that the results of estimating models with pre-2001 and post-2000 data are quite similar, but there is no equivalent to this exercise that explores the effects of government partisanship on welfare-state generosity and other policy outputs (Chapter 6). Of course, exploring temporal variation in the effects of government partisanship would necessarily require abandoning their cumulative measure of partisanship (see Martin Haselmayr and Alexander Horn, “(When) Do Parties Affect Economic Inequality? A Systematic Analysis of 30 Years of Research,” *Perspectives on Politics*, forthcoming; Jonas Pontusson, “Unionization, Inequality and Redistribution,” *British Journal of Industrial Relations*, 51(4): 2013).

We agree with Huber and Stephens’ emphasis on cross-national variation, but we are inclined to think that the literature on the politics of inequality and redistribution should pay more attention to cross-national variation *in changes over time*—as distinct from the authors’ focus on cross-national variation *in levels*. Sweden, for instance, remains one of the most egalitarian of the OECD countries, but it has also seen the largest increases in disposable and market-income inequality since the early 1990s. Strong unions and the legacy of Left government are surely key to understanding why Sweden remains relatively egalitarian, but these variables do not seem to account for the changes over the last three decades. Union density has certainly declined in Sweden, but not so much by comparison to other countries; the Swedish Social Democrats

held the office of Prime Minister for 21 years between 1990 and 2022.

Power resources theory assumes a political alignment between working-class voters, labor organizations, and left parties, but this alignment has been eroding in recent decades. Working-class voters have been abandoning traditional Left parties, sometimes for newer leftist options, but just as often for populist parties on the far right. Labor unions, confronting this changing partisan landscape, are now less strongly aligned with mainstream Left parties. There is also growing evidence that Left parties have failed to be responsive to the preferences of less-affluent citizens. Assuming current trends continue, will power resources theory continue to help us understand social welfare policies in these political contexts?

Huber and Stephens rightly emphasize that rising inequality is fundamentally a political problem and that governments can counteract inequalitarian “market forces.” But they also defend the policy choices of mainstream Left parties in Western Europe against their leftwing critics. “For the criticism of the market turn of European social democracy to be compelling,” they argue that “the critics need to specify what alternative policies could have been pursued given the prevailing economic rules of the game” (p. 264). We would be keen to hear Huber and Stephens elaborate on this seemingly crucial sentence. What exactly are the prevailing economic rules of the game? To what extent, and in what ways, do they constrain governments from counteracting inequalitarian market forces? How did these rules come to prevail?

**Response to Noam Lupu and Jonas Pontusson’s
Review of *Challenging Inequality: Variation across
Postindustrial Societies***

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— Evelynne Huber 
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We thank Noam Lupu and Jonas Pontusson for their thorough review of our book and their pertinent questions. What do the case studies tell us about the mechanisms through which union strength and partisanship matter? Government partisanship is clear: the case studies document the policies that different governments implemented or—where veto points or coalition pressures forced watering down—tried to implement. Examples of this dynamic include the left in Spain raising the minimum wage and extending improved noncontributory benefits, or the bourgeois governments in Sweden severely cutting unemployment benefits.

Union density works through wage negotiations and restraints on top incomes through mechanisms of implicit regulation, resource constraints, and organizational