# The Effect of Inequality and Social Identity on Party Strategies

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*How do parties decide which issues to emphasize during electoral competition? We argue that the answer to this question depends on how parties of the left and of the right respond to economic inequality. Increasing inequality shifts the proportion of the population falling into lower socioeconomic categories, thereby increasing the size of the electoral constituency that is receptive toward leftist parties' redistributive economic appeals. In the face of rising inequality, then, leftist parties will emphasize economic issues in their manifestos. By contrast, the nonredistributive economic policies often espoused by rightist parties will not appeal to this burgeoning constituency. Rather, we argue, rightist parties will opt to emphasize values-based issues, especially in those cases where "social demand" in the electorate for values-based representation is high. We find support for these relationships with hierarchical regression models that draw from data across hundreds of parties in a diverse set of the world's democracies.*

How do parties decide which issues to politicize? While general left-right issues tend to dominate party agendas in many countries (Adams, Merrill, and Grofman 2005; Benoit and Laver 2006; Grofman 2004; Hix, Noury, and Roland 2006), some parties choose to politicize a second, value-based issue dimension at least some of the time. Indeed, parties' strategies may sometimes adhere to the "salience theory" of competition where they "compete by accentuating issues on which they have an undoubted advantage, rather than by putting forward contrasting policies on the same issues" (Budge, Robertson, and Hearl 1987, 391). Our understanding of why this second dimension might be more salient on the agendas of some parties rather than others—or in some elections rather than in others—lags behind our understanding of party position taking on a generalized left-right dimension (Adams 2012; Grofman 2004). Little is known about whether and how parties themselves attempt to shape the competitive space to their own advantage by manipulating the *salience* of certain issues.

In this article, we take up this inquiry and argue that parties politicize issues for strategic reasons. Their strategies are, in turn, constrained by social structure, including the level of income inequality and the presence of identity-based social cleavages in the electorate. We build on a growing literature that attempts to understand voter preferences for redistribution. Previous studies have explored why poor people do not always prefer redistribution (Alesina and Glaeser 2004; Amat and Wibbels 2009; Dahlberg, Edmark, and Lundqvist 2011; De La O and Rodden 2008; Eger 2010; Finseraas 2009b, 2012; Scheve and Stasavage 2006; Schmidt and Spies 2014; Shayo 2009; Stegmueller et al. 2012), and why people do not always vote in accordance with their economic interests (De La O and Rodden 2008; Huber and Stanig 2007, 2011; Roemer 1998; Vernby and Finseraas 2010). The main explanation is that concerns over noneconomic issues or values — especially those related to religiosity, ethnicity, and nationalism– can distract these voters and draw their attention away from their economic interests (Alesina and Glaeser 2004; De La O and Rodden 2008; Finseraas 2009a; Huber and Stanig 2007; Roemer, Lee and Van Der Straeten 2007; Shayo 2009; Vernby and Finseraas 2010).

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Alternatively, these same concerns may alter people's preferences over redistribution and thereby their support for parties advocating redistribution (Alesina and Glaeser 2004; Cramer Walsh 2012; Eger 2010; Huber and Stanig 2007, 2011; Schmidt and Spies 2014; Stegmueller et al. 2012). If these studies are correct, then it directly follows that parties—acting out of their own electoral self—interests–may want to capitalize on this voter propensity for distraction by strategically drawing voters' attention away from their economic interests and toward values. Showing that parties engage in such strategic behavior is the central and novel contribution of our article.[1]

More specifically, we argue the following. First, we argue that the electoral fortunes of leftist parties mostly depend on the extent to which they are able to structure political competition around economic interests, or the class cleavage (Przeworski and Sprague 1986; Roemer, Lee, and Van Der Straeten 2007; Tavits and Letki 2014; Vernby and Finseraas 2010). As the share of voters with leftist economic preferences increases, politicizing economic interests becomes more beneficial to parties of the left. Because this share is likely to increase as the level of income inequality increases, it follows that the left has an electoral incentive to politicize economic interests when inequality is high. Conversely, as inequality rises, the voting constituency harboring rightist economic preferences is likely to shrink, thereby making interest-based party competition detrimental to the right. Faced with the threat of stagnating vote share, rightist parties face incentives to draw voter attention away from interests altogether and focus on values. We further argue that politicizing values is easier, and therefore more likely to be pursued by the right, in some social contexts than in others. Namely, value-based appeals find better traction in the presence of identity-based social cleavages, such as ethnicity, religiosity, and nationalism.

We use data for nearly 450 parties from 41 electoral democracies across Western, Eastern, and Central Europe as well as the other Anglican countries and Japan, South Korea, Turkey, and Israel between 1945 and 2010 and find support for these arguments. Specifically, we find that as income inequality increases, leftist parties put more emphasis on traditional economic interest–based appeals, whereas rightist parties do not. For rightist parties, on the other hand, income inequality is associated with a significant increase in their emphasis on values-based political issues (while this effect is commensurately nonexistent for leftist parties). In a second series of analyses, we also find that rightist parties are *especially* likely to politicize values in more diverse and more religious countries, as well as in those countries that are experiencing high inflows of foreign-born individuals.

This study locates itself in the intersection of the recent comparative political economy literature on the political consequences of inequality as well as the electoral behavior literature on vote choice and issue salience. Our findings provide important implications to both sets of literature, and to our understanding of party strategies and representation. We discuss these implications in more detail in the concluding section.

## Inequality and Party Strategies

In this article, we conceive of party competition on two dimensions: economic interests and social values. Interest-based representation refers to the classic economic left-right dimension of social protectionism versus market liberalism. Value-based competition gives prominence to noneconomic or cultural issues related to identity, values, and populist appeals (Benoit and Laver 2006; Laver 2001; Marks et al. 2006; Schofield and Sened 2006). We argue that which of these two dimensions a party chooses to politicize at any given time depends on two factors: (a) the electoral incentives of the party and (b) the underlying social structure (i.e., the strength of class- and identity-based social cleavages). Our argument consists of a number of steps, and we will explain each in turn.

First, on the economic interest–based issues, we expect low-income citizens to prefer leftist and high-income voters to prefer rightist economic policies. This is because party policies—especially with regard to taxes and spending affect low- and high-income individuals very differently. Poorer voters stand to benefit from leftist (and lose from rightist) economic policies, whereas the opposite is true for wealthier individuals.[2] Second, we expect that increased inequality is associated with an increase in the number of individuals who are economically worse off. This, in turn, implies that while positions on either end of the economic dimension are likely to appeal to some groups, the group favoring the leftist, social protectionist position is likely to be larger and increasing

[1] To be sure, previous studies have hinted at the possibility that parties may have incentives to strategically manipulate issue salience but have not explored it directly (Alesina and Glaeser 2004; Amat and Wibbels 2009; Roemer 1998, but see also Larsen 2011, who concludes the opposite). Tavits and Letki (2014) come closest to our study but focus only on postcommunist Europe and on party polarization rather than issue salience.

[2] This is a central argument in the literature linking income inequality to party polarization on the general left-right dimension (Garand 2010; McCarty, Poole, and Rosenthal 2006; Pontusson and Rueda 2008).

as inequality increases. Both of these expectations are in line with the classic tax and transfer model, according to which more voters prefer leftist policies as the overall level of income inequality increases (Finseraas 2009b; Meltzer and Richard 1981; Milanovic 2000; Roemer 1998; Romer 1975).[3] As a result, leftist parties are more likely than parties of the right to derive greater electoral benefit from interest-based voting when inequality increases (Finseraas 2009b; Przeworski and Sprague 1986; Tavits and Letki 2014). Given this, a vote-maximizing strategy for leftist parties during times of high inequality is to *emphasize* economic interest–based issues.[4]

*H1:* During periods of heightened inequality, leftist parties are more likely to emphasize the economic interest–based dimension, whereas this effect will not hold for rightist parties.

Increased inequality combined with the leftist strategy of politicizing the economic dimension of party competition is likely to be detrimental to rightist parties (Tavits and Letki 2014). If parties of the right also emphasized economic interests, then the result would be party polarization (this logic reflects studies of polarization in the American context). However, given the previously discussed reasoning, the right would also most likely see its vote share shrink. This is likely to prompt at least some rightist parties to seek a potentially more profitable electoral strategy: drawing voter attention away from economic issues.[5] That is, we argue that increased income inequality—and the resulting increases in support for left-wing economic policies—generates incentives for at least some rightist parties to mobilize voters around noneconomic issues. An active and salient value-based dimension means that at least those low-income voters who have strong preferences over both the economic dimension and the values dimension may face a trade-off between voting based on interests versus values.

For example, poor but culturally conservative voters face conflicting pressures when both dimensions are politically salient. They would be cross-pressured to vote for the left on interests, but for the right on values. As scholars have previously argued, the two dimensions are not always equal: It may be more difficult to compromise on values than on interests (Riker 1982). This further suggests that by strategically activating the value-based dimension, the rightist parities have a chance of attracting at least some votes, which in a purely interest-based competition would have gone in support of the left (see Roemer, Lee, and Van Der Straeten 2007; Tavits and Letki 2014). This dynamic has been prevalently discussed in the American context by Frank (2004) and in follow-up work from Bartels (2008) and Cramer Walsh (2012).

Additionally, existing research in the comparative context also supports the assumption that poor voters may be "distracted" from following their economic preferences when voting in the presence of moral, religious, or identity-based concerns (Alesina and Glaeser 2004; Amat and Wibbels 2009; De La O and Rodden 2008; Finseraas 2009a; Huber and Stanig 2007; Roemer, Lee, and Van Der Straeten 2007; Scheve and Stasavage 2006; Shayo 2009; Vernby and Finseraas 2010). Finseraas (2009a) shows that, in Western Europe, the potential share of cross-pressured voters is not negligible, but averages about one-third of the electorate and in some cases reaches as high as 74%. Furthermore, an increasing number of studies recognize that the salience of the second dimension, even if it pertains to identities, can be strategically manipulated; that is, political actors can strategically influence the extent to which values-based concerns enter into voting decisions (Chandra and Wilkinson 2008; Hale 2008; Wilkinson 2004). In sum, given this voter propensity to be distracted, our expectation is that when inequality increases, rightist parties will attempt to strategically draw voter

[3] Finseraas (2009b) provides recent cross-national evidence that inequality is positively associated with demand for redistribution, and that the median income citizen is sensitive to inequality.

[4] Pontusson and Rueda (2010) have recently argued that leftist parties take more leftist policy *positions* in response to inequality only when the level of turnout among lower-income voters is high. Note that this does not necessarily undermine our hypothesis because we are focusing on *emphasis* rather than *position taking*. In our supporting information (SI) 9, we show that turnout exerts only a substantively weak and statistically questionable impact on leftist parties' propensity to emphasize economic issues during periods of high inequality. Furthermore, we demonstrate that parties of the left might actually be *especially* likely to emphasize the economic dimension when turnout is low, perhaps in an effort to mobilize these very voters.

[5] For our argument to work, we must assume that parties of the left and the right think about economic policies in the same way—at least insofar as they impact the decisions of poorer voters. If rightist parties, for instance, generally (and genuinely) thought that more conservative economic policies would elicit support from poorer voters, then we would expect (1) both types of parties to increase their *emphasis* on economic interests in the face of rising inequality and (2) greater polarization *in positions* on economic interests. Previous work has failed to demonstrate that inequality is associated with polarization outside of the United States (Adams, Green, and Milazzo 2012; Kenworthy and McCall 2008; Schneider 2004). Regarding *emphasis*, we show in SI 6 that leftist and rightist parties agree on what to do in the face of rising inequality: On the economic dimension, both types of parties emphasize prointervention and de-emphasize promarket statements, and on the values dimension, both emphasize right-leaning and de-emphasize left-leaning statements. The difference—and the crux of our theoretical story—is that the effect is markedly more substantial for leftist parties on interests and for rightist parties on values.

attention *away from* economic interests and orient their attention *toward* values.[6,7]

*H2:* During periods of heightened inequality, rightist parties are more likely to emphasize the values-based dimension, whereas this effect will not hold for leftist parties.

## The Role of Societal Demand

While increased income inequality incentivizes rightist parties to politicize values-based issues, we further argue that this instrumental strategy is more successful—and therefore more likely to be pursued—in some social contexts than in others. The extent to which such appeals find traction in the electorate is likely to depend on the "societal demand" for political representation on values-based issues. By "demand," we mean the underlying level of receptivity in the electorate toward political representation predicated on values-based appeals. Put differently, and from the perspective of parties and their electoral strategies, this "demand" might be considered the potentiality of electorally successful values-based representation. This demand, we argue, depends on the presence or absence of latent groups in society (Amat and Wibbels 2009; Tavits and Letki 2014).

Specifically, we argue that group-based identities, such as ethnicity and religion, provide a social basis for values-based appeals (including nationalism, morality, and group rights) to gain substantial traction in the electorate. This is in line with existing research that shows that identity-based cleavages significantly condition people's attitudes toward redistribution (or leftist parties and their economic policies in general). Support for redistribution is lower in diverse societies (Alesina and Glaeser 2004),[8] among nationalist individuals (Shayo 2009), and among religious individuals (De La O and Rodden 2008; Huber and Stanig 2011; Scheve and Stasavage 2006). The reason for this is that where social cleavages are present, the share of potentially cross-pressured voters—those who, because of their identities, harbor strong preferences on the noneconomic dimension—is likely to be greater. By providing a potentially receptive audience for identity- and value-based appeals, these latent social cleavages offer an especially attractive opportunity structure for instrumental politicians to prime voters to vote on the basis of values, not interests. In short, while high income inequality may prompt rightist parties to politicize noneconomic issues in any context, they are especially likely to do so in the presence of group-based identities.

Consider, first, ethnicity. The presence of minority populations provides a fertile ground for rightist parties to make values-based appeals to draw voter attention away from their material concerns. For example, appealing to the electorate based on group rights (e.g., threats to the status of the majority population by extending citizenship to minorities) or traditional values (e.g., threats to the native language/culture by elevating a minority language/culture to an official status) might be an electorally profitable strategy in Estonia, Spain, or the Balkans—countries with substantial minority populations–but not necessarily in Scandinavia, which is relatively homogeneous. Existing literature provides two microlevel mechanisms for this expectation. One is that voter animosity toward out-groups prompts such strong emotional reactions from voters that they are willing to forgo their economic interests and vote based on values (Finseraas 2009a; Roemer, Lee, and Van Der Straeten 2007; Shayo 2009; Vernby and Finseraas 2010). Alternatively, this animosity toward out-groups or strong feelings of nationalism can alter the preferences of low-income voters over redistribution: They may oppose redistribution (and abandon the left) because in their mind, the members of the outgroup are undeserving and exert a drag on the welfare state (Alesina and Glaeser 2004; Eger 2010; Huber and Stanig 2007, 2011; Schmidt and Spies 2014; Stegmueller et al. 2012). The jury is still out on which of these

[6]It might be argued that inequality between groups rather than between individuals prompts rightist parties to emphasize values to a greater or lesser extent (Baldwin and Huber 2010). For our purposes, between-groups inequality is a less useful concept for two reasons. First, it can only take on larger values in ethnically diverse societies; otherwise, there are no groups to compare. We are interested in developing a theory that will apply in *both* homogeneous and heterogeneous societies; thus, we focus on individual-level inequality. Secondly, as between-groups inequality increases, economic divisions overlap increasingly with ethnic divisions. In this case, the predictions about rightist party behavior are unclear because their economic constituency closely resembles their social constituency. Even still, we demonstrate empirically in the SI 5 that our results hold while controlling for between-groups inequality as developed by Baldwin and Huber (2010).

[7]One might argue that when inequality increases, leftist parties might also want to politicize both interests and values. However, leftist parties cannot easily emphasize the values dimension due to credibility concerns (Budge et al. 2001; Petrocik 1996), and previous research shows that the electoral success of leftist parties tends to rely on the politicization of economic interests alone (Bartolini 2000; Przeworski and Sprague 1986). We take up this issue in greater detail–both theoretically and empirically—in our SI 6, where we show that leftist parties pull away from left-leaning values and specifically toward prointerventionist economic policies. We also show, in SI 7, that leftist parties shift emphasis toward interests *specifically at the expense* of values.

[8]See also Eger (2010), who shows that this effect also holds within one country, but across different *counties*, and Dahlberg, Edmark, and Lundqvist (2011), who provide a causal test of this argument.

mechanisms is at work (possibly both),[9] but this question of *which* mechanism is not relevant for our purposes because the implication for party behavior will be identical in either case.

In addition to historical minorities, recent literature, especially in the context of Western Europe, has pointed out the relevance of immigration as a way by which ethnic and racial diversity in these countries has increased over time (Burgoon, Koster, and van Egmond 2012; Finseraas 2009a, 2012; Schmidt and Spies 2014; Vernby and Finseraas 2010). In these studies, the role of immigration (i.e., share of foreign-born population) is similar to the role of ethnic diversity in lowering support for redistribution and interest-based voting: Immigration and the accompanying nationalism may distract voters' attention away from their economic interests. Alternatively, immigration may alter voters' preferences on the economic dimension, making them support rightist rather than leftist policies. Therefore, in addition to the presence of historical minority populations, the size of the immigrant population may also offer an opportunity for the rightist parties to draw voters' attention away from their economic interests. Based on the existing literature, growing immigration is most likely to serve as the social basis of value-based appeals, perhaps especially so in Western Europe.

Alongside ethnicity, another social identity that can be politically mobilized is religion (Amat and Wibbels 2009; De La O and Rodden 2008; Scheve and Stasavage 2006; Solt, Habel, and Grant 2011). The religious cleavage can take two different forms: (1) religious-secular divide, and (2) religious fractionalization. Both cases produce groups of voters whose voting behavior can potentially be manipulated by politicizing identity- and value-based appeals. A similar logic to the one described in the case of ethnic diversity also applies here: Religiosity can force poor voters to vote based on their concerns over values (De La O and Rodden 2008). Alternatively, it can alter their preferences over redistribution because religion functions as an alternative to the welfare state both on the psychological and material level (Scheve and Stasavage 2006, see also Karakoc and Baskan 2012; Solt, Habel, and Grant 2011).

Therefore, where distinct religious identities exist in society (e.g., as is the case in Ireland or Poland), parties of the right (those disadvantaged with the increased salience of income inequality) are likely to turn away from the interest dimension and predicate their campaigns more on moral and religious values. This is true not only in the presence of a religious-secular divide, but also in the case of religious diversity. With different sizable religious groups, it is easier to politicize moral and cultural issues than in a society that adheres to similar religious norms. In general, then, value-based appeals are likely to have higher resonance in settings where these issues can be at least partially targeted against, or set in contrast to, the (perceived) values of other groups. In such a setting and in the presence of high income inequality, the right not only has the incentive but also the opportunity to politicize a values-based dimension.[10]

*H3:* During periods of heightened inequality, rightist parties are more likely to emphasize the values-based dimension; this is more likely the higher the "social demand" for values-based representation.

We now turn to a discussion of our data set before outlining the multiple steps we employ to test each of our three hypotheses.

## Data

Our theoretical argument is applicable to those electoral democracies, where parties compete primarily based on policies and programs. The actual empirical scope of our analysis extends to those countries included in the Comparative Manifesto Project (CMP; Budge et al. 2001; Klingemann et al. 2006; Volkens et al. 2012) because these data offer the most appropriate measure of our dependent variable for the largest number of countries. Specifically, our dependent variable (*Emphasis* on either the economic interest-based or the social values-based dimensions of political competition) requires data on political parties' election manifestos.[11] We are specifically interested in the *level of intensity* with which a party stresses its positions,

[9]Finseraas (2009a) finds support for the former but not for the latter; Eger (2010) finds support for the latter but does not test the former.

[10]We focus on rightist (and not leftist) parties' ability to cross-pressure voters because, in line with previous literature, we argue that lower socioeconomic classes (i.e., those constituencies that grow dramatically during periods of high inequality) are more likely than upper classes to be politically conflicted on economic interests and values (De La O and Rodden 2008). The case could be made that during periods of low inequality, leftist parties could similarly attempt to cross-pressure more wealthy constituents with values-based (but presumably secular and multicultural) appeals, but, as we noted earlier, this argument conflicts with previous findings and also runs against the empirical evidence we present below. Hypothesis 3 does, however, relate to a more general logic that party strategies are affected by a combination of social variables and party features (Burgoon 2012; Henjak 2010).

[11]Descriptive information on all variables is included in SI 4.

rather than those positions themselves. As our theoretical logic implies, parties will draw attention to their ideological positions—whether extreme or moderate—as being salient, vote-winning policy orientations under certain economic and social conditions. The CMP allows us to measure this idea with its codings of party election platforms. As the authors note, "the *main* information" obtained from their data is "the relative emphasis parties give to the different messages they wish to transmit to electors" (Klingemann et al. 2006, 116). This makes the CMP data uniquely suitable for our purposes.

Relying on these data allows us to include information on nearly 450 parties from 41 countries between 1945 and 2010.[12] Only about half of these countries are advanced Western democracies. While not offering global coverage, our analysis includes a fairly diverse set of electoral democracies from different regions at different levels of democratic development—conditions that enhance the generalizability of our findings.

The CMP database counts, for each party in each election, the frequency of rhetoric on fine-grained political issues.[13] The disaggregated conceptual codings of the CMP allows researchers to combine these fine-grained issue counts into their own broader categories that represent both "economic interest" and "social values–based" dimensions of political competition.[14] And as we are interested in the *frequency* with which a party makes reference to either the interest or the values dimension—rather than its actual left or right *position* on these dimensions—we do not distinguish between "left-leaning" and "right-leaning" positions (as is typical in manifesto-based research). Therefore, in order to measure *Emphasis* on each of the two dimensions, we record, for each party in each election, the *total sum* of all CMP components on that dimension. The theoretical range of the emphasis scale is from 0 to 100. On our economic interests dimension, *Emphasis* ranges from 0 to 83.3 (with a mean of 26.2); on our social values dimension, it ranges from 0 to 88.9 (with a mean of 14.4).[15]

## Explanatory Variables

For coding the first of our main independent variables—a dummy variable for *Right party*–we follow the existing literature (Finseraas 2010) and use the CMP classification of parties into families. We code as $right = 1$ those parties that the CMP classified as liberal, Christian Democratic, conservative, or nationalist in nature. Other major party families were coded as $right = 0$.[16] Taking this approach is appropriate for our purposes because it gives us an independent measure of the ideological nature of the party. The measure is based on how the party prefers to be portrayed overall, and not on any specific current policy promises. Therefore, it avoids problems with endogeneity—unlike drawing on, say, expert placements or manifesto positions, which would contain many of the same components that already go into our operationalization of the dependent variable.

Our second main independent variable—*Economic inequality*—is measured as the gross (pretax) national-level Gini coefficient, and yearly values for this variable were taken from the Standardized World Income Inequality Database, (SWIID; Solt 2009).[17] For each election year, we pulled the pretax Gini coefficient from the previous calendar year so as to allow both parties and voters enough time to internalize their economic reality in the lead-in to the election.[18] Although our sample includes a limited number of countries, the summary statistics on our in-

[12]Our analysis includes the following countries: Albania, Australia, Austria, Belgium, Bosnia-Herzegovina, Bulgaria, Canada, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Malta, Moldova, Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Slovenia, Spain, Sweden, Switzerland, Ukraine, and United States. From the original set of CMP cases, we excluded those countries with problematic experiences with democratic rule (such as Azerbaijan, Belarus, and Mexico). A few additional countries were dropped because of the limited cross-national coverage of some of our other variables.

[13]Although the CMP database has recently faced criticisms of intercoder reliability, lack of estimates of uncertainty, and moving benchmarks (Benoit and Laver 2007), the CMP team has performed tests that establish its high level of reliability (Budge and Pennings 2007; Klingemann et al. 2006). Additionally, the CMP is still the comparative database with the best coverage across cases and years and remains widely utilized by scholars of comparative political parties. Finally, concerns about the CMP generally point to the presence of measurement error in the model's covariates, which would work against our recovering support for our hypothesized relationships. Even granting such a claim of attenuation bias, then, the fact that we find consistently strong results in the face of this should lend additional credibility to the argument.

[14]We discuss these dimension codings at great length in SI 1.

[15]In a robustness test in SI 6, we further disaggregate the "interests" and "values" dimensions into their traditional leftist and rightist components and illustrate that our theoretical intuitions hold up even when examining these more fine-grained indicators.

[16]Party families that are difficult to fit into the traditional left-right dichotomy (e.g., coalitions, diverse alliances, and special issue and agrarian parties) were dropped from the analysis.

[17]As a robustness check, in SI 8, we follow Pontusson and Rueda (2010), Atkinson and Piketty (2007), and Leigh (2007) and use the share of wealth held by the top 1% of wage earners. This variable also comes from the SWIID.

[18]Where this was not possible, we took Gini values from the most chronologically proximate year to the election. The details of this coding are outlined in SI 2.

equality variable are not terribly distinct from the world at large. The mean level of gross inequality in the SWIID data set is 44.3 (interquartile range of 37.8 to 50.2) compared to a mean of 41.7 (interquartile range of 37.6 to 46.7) in our subset of the data. Thus, we can be confident that the availability of the CMP data is not biasing our selection of countries in terms of inequality.

For our first set of analyses, we control for several party and country attributes that might be argued to influence the extent to which our hypothesized relationships hold. First, for individual parties, we control for *Party age* (measured in years), *Party size* (measured as a party's share of the national-level vote), and whether or not a party is a *Niche party* (i.e., ecologist, communist, or nationalist party). At the country level, we control for *New democracy*, the *Effective number of electoral parties (ENEP)*, and *Economic performance*. More information on the coding of these variables can be found in SI 3. Additionally, as a robustness check, we estimate versions of these models with several more (statistically insignificant) control variables; the results are reported in SI 5.

In the second section of our analysis, we turn to an examination of Hypothesis 3, where we require measures of "societal demand" within the voting population for values-based appeals from political parties, which, we argued, is reflected in the extent of group-based social identities in a given society. Specifically, we argued that ethnicity (i.e., ethnic diversity and the share of immigrant population) and religion (i.e., religiosity and religious diversity) are likely to condition the effect of inequality on the behavior of rightist parties.

We take our measures of *Ethnic* and *Religious fractionalization* from Alesina et al. (2003), who have compiled what is perhaps the largest and most thorough collection of country-level data along these variables.[19] Our measure of *Religiosity* comes from the World Values Survey and is the proportion of the population that attends some religious observance at least once per week (World Values Survey 2009). Finally, our measure of the prevalence of immigration is the percentage of the country's population that is *Foreign-born* and comes from the statistical tables of the World Bank.[20] In the case of this variable, we conduct separate tests on (a) the full set of countries and (b) only those countries of Western Europe, where we expected the relationship to be particularly robust. Each of these variables, in interaction with inequality, should exhibit positive coefficients. Because the coverage across countries and years of each of these variables is so different (and due to collinearity concerns), we opt for separate regression analyses examining each social demand variable individually.[21]

## Analysis

The unit of observation in our analysis is the amount of emphasis a particular party places on either the interests or values dimension in a given election in a given country. Due to the natural hierarchies in the data, we choose to employ a multilevel linear model, which allows us to explicitly model random intercepts both at the level of the party and at the level of the country. While the intercept term in traditional linear regression represents the underlying value taken by the dependent variable when all explanatory variables are held at zero, the random intercepts in our model indicate that for any given country and any given party, there are different baseline propensities that modify this traditional observation-level intercept. So, for example, we can examine the extent to which–ignoring our other covariates—parties within a particular country are more likely to emphasize the interests dimension *simply by virtue of all residing in that country.* Notationally, we estimate two versions of the following model, one for the interests and a second for the values dimension:[22]

$$\begin{aligned} emphasis_{cpe} = {} & \beta_0 + \beta_1 inequality + \beta_2 ideology \\ & + \beta_3 (inequality \times ideology) \\ & + [controls] + \gamma_c + \gamma_p + \epsilon_{cpe}, \end{aligned}$$

where $\gamma_p$ and $\gamma_c$ are party-level and country-level random intercepts across which we will retrieve measures of variance $\sigma_p$ and $\sigma_c$, respectively. We also include the battery of control variables described above. These two

[19] However, we should note that the results we present below hold equally well if we instead substitute Fearon's measures of either cultural or ethnolinguistic fractionalization (Fearon 2003).

[20] Our longitudinal coverage of country-years in the CMP data is more extensive than any of these data sources. For the (national-level) measures of ethnic and religious fractionalization, we simply coded every election in a country as taking on the one (repeated) value. For religiosity, we extended the 1981 survey wave from the World Values Survey back to the earliest post-WWII election (but our results are substantively similar if we do not do this).

[21] However, in SI 11, we also present the results of a unified "social demand" model that combines all of our demand indicators into a single additive metric. This robustness check is discussed in detail below.

[22] As a robustness test, we also test both Hypotheses 1 and 2 simultaneously by modeling a party's level of emphasis of interests *relative to* its emphasis of values. These results are presented in SI 7 and corroborate our mainline results.

models evaluate the empirical evidence in support of the relationships we posit in Hypotheses 1 and 2.[23, 24]

After discussing the results of our first two models, we then restrict our attention to rightist parties only in an effort to evaluate the "demand side" argument we developed surrounding Hypothesis 3. As discussed above, we operationalize these demand size pressures in various ways and present separate hierarchical models to evaluate each specification. Specifically, we will be estimating five models of the following form:

$$\begin{aligned} emphasis_{cpe} = \beta_0 &+ \beta_1 inequality + \beta_2[demand] \\ &+ \beta_3(inequality \times [demand]) \\ &+ [controls] + \gamma_c + \gamma_p + \epsilon_{cpe}, \end{aligned}$$

where $[demand]$ is a placeholder for each of our operationalizations: ethnolinguistic fractionalization, religious fractionalization, religiosity, and the percentage of the population that is foreign-born (both in the full set of countries and then again restricted to just Western Europe). We first present our mainline comparison between left and right parties on both the interests and values dimension before then turning to right-leaning parties on the values dimension. In what follows, we focus on presenting intuitive, visual depictions of coefficient estimates and marginal effects. Following recent calls in the field of political science to stress the substantive "takeaway" points of regression analyses, we opt for visual—rather than numerical—presentations (Gelman, Pasarica, and Dodhia 2002; Kastellec and Leoni 2007; King, Tomz, and Wittenberg 2000). We include tables of regression output for our rightist-party-specific regressions in SI 10.

## The Economic and Values Dimensions

The first two models we estimate correspond to (a) the economic interests–based dimension and (b) the social values–based dimension of political competition. We are particularly interested in the extent to which the interaction between inequality and the right party dummy qualifies the relationship between inequality and the level of emphasis a party places on either the economic or values dimensions. Our expectation is that this interaction effect for the "interests model" will be negatively signed (meaning that right-leaning parties will de-emphasize this dimension when inequality increases) and that this interaction will be positively signed in the "values model" (meaning that right-leaning parties will place greater emphasis on this dimension during periods of high inequality). The results of the two models appear in Table 1 and include not only estimates of each coefficient and standard errors around estimates, but also measures of variance—and the number of groups—at each level in the model. There is greater variance in position emphasis across parties than across countries, which is expected given that parties tend to be more idiosyncratic than countries.

Turning now to our specific covariates of interest, we recover significant support for both Hypothesis 1 and Hypothesis 2. In the first model, increasing inequality increases emphasis on the interest dimension, but this effect is countered by a virtually identically sized (and

**TABLE 1 Baseline Hierarchical Models Testing Hypotheses 1 and 2**

| | Emphasis on Interests | Emphasis on Values |
|---|---|---|
| Rightist Party | 3.55 | −1.18 |
| | (3.66) | (3.22) |
| Inequality | 0.17** | -0.05 |
| | (0.07) | (0.06) |
| Rightist Party × | −0.15* | 0.18** |
| Inequality | (0.09) | (0.08) |
| New Party | −1.72** | −0.77 |
| | (0.72) | (0.64) |
| Niche Party | -2.25*** | 2.95*** |
| | (0.89) | (0.98) |
| Party Size | 0.03 | −0.05** |
| | (0.03) | (0.02) |
| GDP Change | 0.13* | −0.16*** |
| (per capita) | (0.07) | (0.06) |
| ENEP | 0.45** | −0.22 |
| | (0.19) | (0.17) |
| New Democracy | 0.30 | 0.86 |
| | (0.94) | (0.81) |
| Intercept | 19.93*** | 15.12*** |
| | (3.19) | (2.76) |
| $\hat{\sigma}_{cpe}$ | 8.67 | 6.62 |
| $\hat{\sigma}_p$ | 4.55 | 6.54 |
| $\hat{\sigma}_c$ | 4.17 | 4.26 |
| $N_{cpe}$ | 1765 | 1765 |
| $N_p$ | 441 | 441 |
| $N_c$ | 41 | 41 |

*Note*: The dependent variable is the level of emphasis a party places on the economic interest-based and values–based dimension in a given election. Standard errors appear in parentheses below coefficient estimates. ∗significant at 10% level, ∗∗significant at 5% level, and ∗∗∗significant at 1% level.

[23] All models were estimated in `Stata 12` using the `xtmixed` command.

[24] Including country fixed effects or yearly time trends also does not change the results.

significant) coefficient on the interaction between *Rightist party* and *Inequality*. In fact, since this is an interaction model, the coefficient on the inequality variable indicates the positive effect of inequality on emphasis for leftist parties only (i.e., when *Rightist party* = 0). This effect is positive and statistically significant (coeff. = 0.17, s.e. = 0.1, p< .05) and indicates that driving up inequality results in leftist parties increasing their level of emphasis on issues related to interests. The marginal effect of inequality on emphasis for the rightist parties (i.e., when *Rightist party* = 1) is easily calculated by adding the coefficients on the inequality variable and the interaction term: 0.17 + (−0.15) = 0.02, s.e. = 0.07, p = .86. Since this marginal effect is not even close to being statistically significant, we infer that inequality has no detectable effect on rightist parties' emphasis on economic interest–based issues. For the second model, and again in accordance with our theory, we find the exact opposite: Increasing inequality causes rightist parties to place greater emphasis on values-based representation, as becomes evident when calculating the respective marginal effect: −0.05 + 0.18 = 0.13, s.e. = 0.06, p = .02. No such effect is recovered for parties of the left, as indicated by the insignificant coefficient on the inequality variable in the second model (coeff. = −0.05, s.e. = 0.06, p = .40).

How substantial are these effects? For a generic right party, increasing inequality across its observed interquartile range (37.6 to 46.7) results in a somewhat paltry increase of 4% in its level of emphasis on the interests dimension. Contrast this with a generic left party, for which a similar increase in inequality results in a substantial 24% increase in its emphasis on the interests dimension. Depending on a generic leftist party's underlying proclivity to emphasize the interests dimension in the first place, this 24% increase can move it from the 25th to the 50th percentile (or from the 50th to the 75th percentile) of our distribution of observed interests emphasis positions. The effect is more striking on the values-based dimension, where a similar shift in inequality across the interquartile range prompts a generic right party to increase its level of emphasis on the values dimension by 32% while at the same time prompting a generic left party to actually *decrease* its level of emphasis by 23%.

Illustrative cases of these relationships abound. For example, the Social Democratic Party (SPD) in Germany, a left-leaning party, was faced with two radically different economic realities in the 1972 and 1983 elections. In the former case, Germany was experiencing high levels of inequality (near the upper bound of our interquartile range on this variable), whereas in the latter election, inequality was considerably lower (near the lower bound of our interquartile range of values). Accordingly, the SPD dropped from a 32.2 to a 27.0 on our measure of emphasis on interests, or a move from the 75th percentile to about the 50th percentile in our data set. Similarly, in back-to-back elections in the 1960s, Sweden's level of inequality increased across the full interquartile range and, not surprisingly, the Communist Party's level of emphasis on economic interests jumped from 27.3 to 46.6 (or roughly from the 50th to the 95th percentile on our distribution of emphasis levels). A similar story can be found in the case of the Czech Republic, which underwent an 18% increase in its inequality level between its parliamentary elections in 1998 and 2002. The two left parties in this system, on average, responded by increasing their level of emphasis on the interest dimension by 29% of their 1998 levels, whereas the four right parties, on average, did not substantively adjust their level of emphasis (less than a 6% increase).

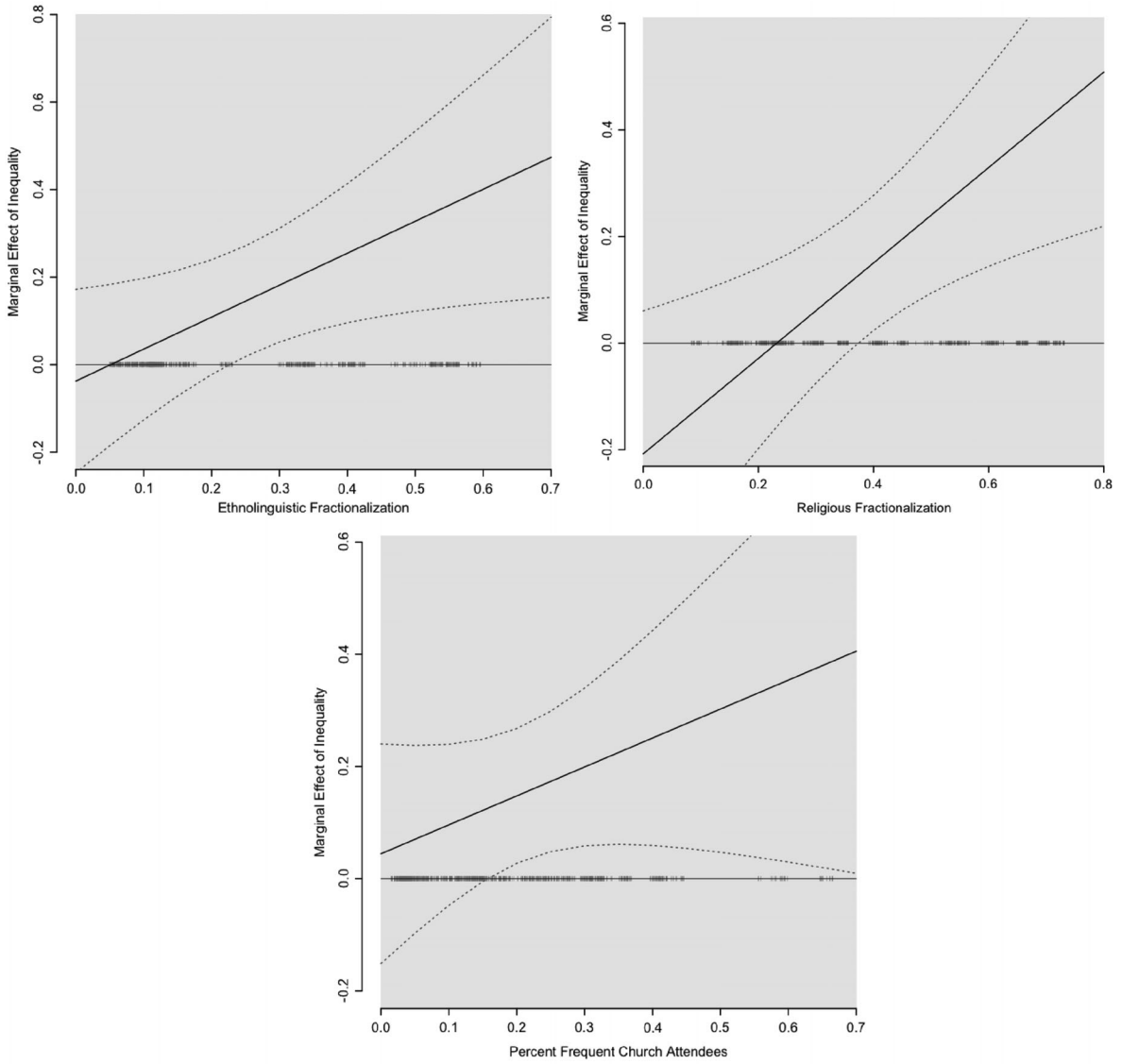
## The Values Dimension in Context

As we argued in the logic supporting Hypothesis 3, in the face of rising economic inequality, not all rightist parties will be equally able to pivot to values-based appeals. Indeed, to some extent, this ability should be conditional on the latent "social demand" for this type of representation, and this demand should follow from a number of characteristics of the electorate. As discussed above, we have operationalized each of these demand-side prerequisites and interacted them with economic inequality in an effort to model how rightist parties choose to emphasize the values-based political dimension. Due to issues of collinearity with these demand-side factors—and because examining each factor's separate effect on values emphasis is of substantive theoretical interest—we estimate a separate model for each factor.[25]

As a casual glance at Figure 1 and Figure 2 indicates, the choice of demand-side factor does not matter: Accounting for any one of the four factors very clearly exerts a noticeable and important qualifying effect on the relationship between inequality and a generic rightist party's inclination to emphasize values-based issues. The marginal effects plots on these conditional relationships

[25]In SI 11, however, we standardize each factor and add it into a common metric. This "unified" social demand variable actually strengthens our results, but it is conceptually more difficult to interpret. In an alternative analysis, we also included each of the social demand indicators (together with their interactive terms with inequality) in the same model. The coefficient estimates on the three interaction terms remained similar in direction (positive) and substantive size. This suggests that pairing high values on any two of our "demand" variables (or all three) will result in higher expected emphasis on values than registering a high value on only one of them.

**FIGURE 1 Marginal Effect of Economic Inequality on the Emphasis of the Values-Based Dimension for Rightist Parties (Conditional on Ethnic Fractionalization, Religious Fractionalization, and Religiosity)**



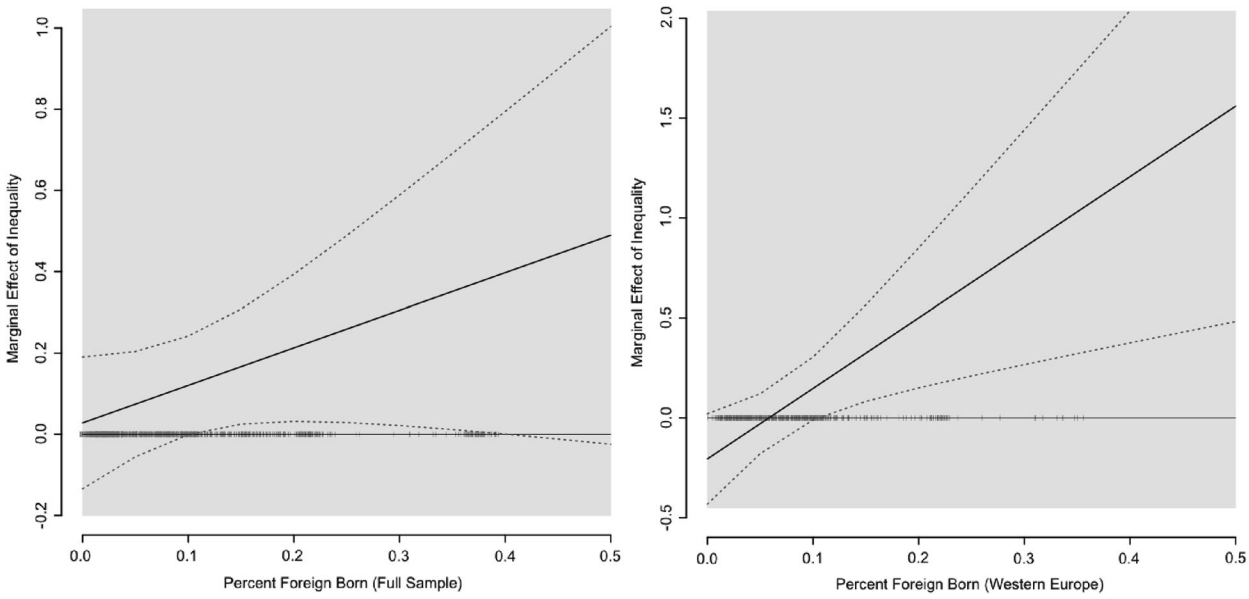

*Note*: Point estimates are surrounded by 95% confidence interval bands. Observed values are marked with ticks along the $x = 0$ horizontal. Figures are based on regressions reported in Table SI.10.

indicate that a minimum level of demand must exist in a population before rightist parties can hope to invoke values-based appeals as salient competitive strategies. All of the marginal effects lines slope upward, the vast majority of each line exists above the $x = 0$ horizontal line, and the effects themselves are generally discernible from zero at a 95% level of confidence over the values where most of our observations lie.[26]

In order to convey some information about the distribution of the data, we have included a rug of observed values for the conditioning variable along each $x = 0$ horizontal line (and the $x$-axis itself ranges from the minimum to the maximum on each conditioning variable). When looking at religious fractionalization (the middle panel of Figure 1), the relationship is discernible from zero for more than 50% of the rightist party observations in our data set. The two models estimating the qualifying effect of the percentage of the population that is foreign born-simply reinforces the common trend across

[26]The regression results that underlie these graphics can be found in SI 10.

**FIGURE 2 Marginal Effect of Economic Inequality on the Emphasis of the Values-Based Dimension for Rightist Parties (Conditional on Percent of the Population Foreign-Born)**




*Note*: Point estimates are surrounded by 95% confidence interval bands. Observed values are marked with ticks along the $x = 0$ horizontal. Figures are based on regressions reported in Table SI.10.

all of these variables: Right-leaning parties can only be expected to pivot to values-based appeals when a baseline level of demand for this type of representation has been met in the electorate at large.[27] As expected, we find that this effect is particularly salient in Western Europe, where it is discernible from zero at a 95% level of confidence when the percentage of the population exceeds 10%.[28] In the case of religiosity, which we measure as frequent church attendance, the marginal effect across nearly the entire interquartile range (i.e., the middle 48% of the data) is statistically discernible from zero at a 95% level of confidence (see the bottom panel of Figure 1). At especially high levels of church attendance–in excess of 70% of the population–the effect disappears. As there are exceedingly few countries with this level of church attendance, however, we would argue that there is insufficient leverage to recover the effect, even if one existed.

To be more specific, increasing inequality can be expected to drive up rightist parties' emphasis on values-based dimensions only once ethnic fractionalization and religious fractionalization are above 0.2 and 0.35, respectively. This means that the relationship between inequality and values-based emphasis holds less well (or not at all) in markedly homogeneous countries such as Korea, Japan, Finland, and Poland (all of which fall below these points), but it should hold particularly well in countries such as Lithuania, Spain, New Zealand, and the United States (all of which fall above). For religiosity, which we measure by the percentage of the population regularly attending church, the effect is discernible above the 15% mark. For highly secular countries, then, such as Sweden, Denmark, and Iceland, the relationship between inequality and values-based emphasis is less salient, whereas with more religious countries, such as the United States, Italy, and Portugal, the effect holds. Finally, related to the percentage of the population that is foreign-born, the positive relationship between inequality and values-based emphasis is statistically discernible from zero when more than 10% of the population is foreign-born. Whereas countries like, say, Denmark, Norway, and the United Kingdom fell below this 10% threshold in the 1970s and 1980s, all three countries now have foreign-born populations well in excess of 10%. Not surprisingly, these countries saw right-leaning parties pivot to values-based representation in the 1990s and 2000s.

[27]This relationship disappears in Panel 1 of Figure 1 above the 45% mark. However, as we discussed above, we expected a slightly weaker overall relationship in Panel 1 when compared to Panel 2 for theoretical reasons.

[28]We also return robust and intuitive results related to niche parties and a party's electoral size. Because these fall outside of the main line of our discussion, we report these results in SI 12.

While discussing additional concrete examples for all of these variables would move beyond our space constraints, we settle for highlighting some illustrative examples from the ethnic fractionalization model. We discuss cases that *all exhibit average levels of economic inequality*, so as to illustrate the power of ethnic fractionalization as a qualifying variable on rightist parties' choice of emphasis on the values-based dimension. We can begin with ethnically homogeneous countries such as Norway, Australia, and Italy. All of these countries exhibit levels of ethnic fractionalization at the 25th percentile (or lower end of the interquartile range). In Norway in 1973, for example, the Conservative Party (H), the New People's Party (DLF), and the Liberal Party (V) all opted to place very little emphasis on values-based competition. These three rightist parties register values of 10.3, 13.2, and 10.4 on our measure of emphasis, which are all near the bottom end of our interquartile range on this variable. The situation was similar with the Labour Party (LPA) in Australia in 1998, which takes a value of 9.6 on values emphasis. Finally, in another homogeneous country, Italy, a whole host of right-leaning parties (PLI, DC, and PRI) exhibited comparatively low levels of emphasis on values-based issues.

Contrast this with elections in Switzerland and the United States. These country-election cases similarly exhibited average levels of inequality, but ethnic fractionalization scores are more toward the 75th percentile. In sharp contrast to the more homogeneous countries discussed above, the rightist parties in Switzerland in the 1990s and early 2000s placed considerably greater emphasis on the values dimension, with scores ranging from 21.8 and 35.7 to upwards of 58.2 (all of these scores far exceed the 75th percentile on our values emphasis variable). A similar story took place with the Republican Party in the United States during the late 1980s and early 1990s, where it drew emphasis values of 19.9, 20.7, and 24.1. Clearly, the same level of inequality will not prompt right parties in different countries to behave in similar ways. Rather, some stock must be taken of the underlying receptiveness of the electorate toward values-based political competition.enlrg

## Conclusion

We have shown that parties' electoral strategies are not confined to simple position taking and to electoral competition predicated solely on the traditional, economically based left-right dimension. Rather, social structure—the combined effect of inequality and social identities—incentivizes parties' attempts to manipulate the *salience* of issues and, in some cases, move beyond the boundaries of traditional economic interest–based competition. Specifically, increased economic inequality creates larger constituencies for parties of the left when representation is predicated chiefly on economic issues. While leftist parties, then, can be expected to place greater emphasis on the economic dimension, this tendency is not matched by rightist parties. Instead of this, parties of the right, especially in social contexts with significant identity-based cleavages, can pivot to other, values-based issues as a way of strategically maximizing their vote shares.

We find substantial cross-national empirical support for this reasoning. Specifically, we find that inequality differentially impacts parties of the left and the right. In the face of rising economic inequality, leftist parties place more emphasis on political issues comprising the economic interest–based dimension, whereas rightist parties do not. Instead, rightist parties place greater emphasis on values-based issues—a strategy that is not emulated by the left. Finally, by restricting our analysis to only parties of the right, we demonstrate that values-based electoral strategies are particularly salient when there is high "social demand" for such representation. Where ethnic and religious fractionalization are high, where a significant share of the population is overtly religious, or when sizable portions of the population are foreign-born, we can expect parties of the right to more readily opt for values-based electoral competition.

The implications of our findings are manifold and contribute to the literatures on comparative political economy, voting behavior, and party competition. Specifically, in terms of the political economy literature and its recent focus on the political consequences of inequality, our findings imply that increased inequality does not necessarily lead to party polarization, which is the argument typically made in the American context (Abramowitz and Saunders 2008; Garand 2010; McCarty, Poole, and Rosenthal 2006), but not corroborated in the comparative context of multiparty democracy (Adams, Green, and Milazzo 2012; Kenworthy and McCall 2008; Schneider 2004). Rather, it can lead to more values-based appeals from the right. Such a strategy by the right may also explain why we do not necessarily see left-wing parties winning and redistributive policies being implemented as societies grow more unequal—a paradox with which the political economy literature continues to wrestle (Lindert 2004; Pontusson and Rueda 2010).

In terms of electoral behavior, our results are in line with the argument in the recent literature that at least some voters are facing competitive pressures at the polling booth. They may be drawn to the left on some issues and

to the right on others. Our findings suggest that parties believe such pressures to be real enough to guide their electoral strategies. Future studies of electoral behavior may want to pay closer attention to the possibility that voter preferences on different issues are not independent of each other.

Our findings also contribute to our understanding of party competition. Most importantly, they offer unique insight into a scholarship that links social cleavages to political representation (Duverger 1954; Lipset and Rokkan 1967; Sartori 1976). This literature has suffered from two deficiencies: first, that it maps social divisions into political representation, without attributing to political parties much in the way of agency; and, second, that it has focused on the *number* of parties that emerge from different social contexts as well as *which social features* of the electorate these parties tap into. Related to the first point, we argue that our findings constitute new empirical evidence in favor of what other scholars have mainly discussed in theoretical terms: that parties are composed of "political entrepreneurs" and "architects of political change" and are always looking for ways to leverage social context into electorally viable strategies (Riker 1986; Schofield and Sened 2006). More specifically, we would argue that our findings infuse parties with greater agency in constructing the parameters of political competition.

Related to the second point, our findings indicate that when it comes to the study of party systems more generally, *economic realities mediate social divisions*. Succinctly put, social cleavages will most likely be manifested in values-based representation when inequality is high. This suggests that, under some conditions, party competition in electoral democracies, even in advanced Western countries, may gravitate toward value-based and group-based politics—a conclusion that is in line with other recent and ongoing work on group-based politics (Amat and Wibbels 2009; Huber, Ogorzalek, and Gore 2012). It also suggests, however, that without income inequality pushing rightist parties to adopt values-based appeals, social divisions may not result in identity-based representation.

Finally, the findings of our study also shed light on why the left tends to be relatively similar across different countries, but rightist parties vary significantly in the tone and timbre of their campaigns. In some countries, the main right-wing parties are socially liberal and focus mostly on economic issues (e.g., the Liberal Party of Denmark or Christian Democratic Party in Germany), while in others they are socially conservative with a focus on traditional moral values (e.g., the Law and Justice Party in Poland), and in still others they are strongly nationalist (e.g., the Swiss People's Party). We demonstrate that it is the interplay of socioeconomic diversity and preexisting identity-based cleavages that shape the nature of the right across countries, and sometimes within.

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## Supporting Information

Additional Supporting Information may be found in the online version of this article at the publisher's website:

**SI 1:** Coding the economic interests and values dimensions

**SI 2:** Coding economic inequality

**SI 3:** Coding the control variables

**SI 4:** Descriptive statistics

**SI 5:** Regression models including additional (insignificant) control variables

**SI 6:** Separate dimension components of interests and values

**SI 7:** Modeling the relative balance between interests and values emphasis

**SI 8:** Including an alternative specification of inequality

**SI 9:** Leftist party specific model accounting for voter turnout

**SI 10:** Regression output for rightist party specific models

**SI 11:** Rightist party specific model with an aggregated measure of social demand

**SI 12:** Supplementary findings related to niche parties and party size