

Book Review

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J.E. Roemer, W. Lee, and K. Van Der Straeten: *Racism, Xenophobia, and Distribution. Multi-Issue Politics in Advanced Democracies*. XII, 432 pp. Harvard University Press, Cambridge, MA 2007. Hardcover £ 45.95.

Economics and Politics should work complementarily to comprehend the functioning of modern democracies. The dialogue, however, between the two disciplines has never been simple or easy. There are various reasons for this. One more philosophical has to do with the way in which the large majority of economists look at their discipline: namely, as a theory of social equilibria obtained through logical deductions from simple assumptions about agents' behaviour. This quest for formal rigor and simplicity of assumptions has also led economists to draw a clear demarcation between their discipline and other branches of social enquiry, such as social psychology, sociology, and politics itself. The result is that political-economic models sometimes look unrealistic.

A second reason is more technical and has to do with the difficulty to incorporate in economic equilibrium theory insights from other disciplines. A well-known example of this problem is the classical Hotelling-Downs model used by economists to predict that in democracy the level of income distribution between the rich and the poor is chosen by the median-income voter. A problem is that this model only works if the space of competition between the rich and the poor (or between the political parties representing their interests) is one-dimensional, with predictions which are at odds with empirical evidence.

This book by John Roemer and co-authors Woojin Lee and Karine Van Der Straeten undertakes an important enterprise. It studies the democratic process leading to the choice of redistribution in four modern multiracial societies: USA, UK, France and Denmark. The focus is on the existence in all countries of a class of primarily poor workers whose races or ethnicities differ from that of the majority of natives: in US the ethnic minority is that of natives black, in UK it is made by natives and immigrants (mainly for West



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India and South Africa); in France and Denmark the minorities are mainly immigrants. In all cases the majorities are made by “white” natives.

The racial issue adds an important dimension to the political space, with political parties which now care and compete over integration and immigration politics, in addition to redistributive policies. Equilibrium theory based on the Downs model cannot be applied any longer, while racist attitudes and xenophobia among individuals of all social classes affect overall political outcomes.

The book draws attention to two specific effects which racism may cause for redistributive politics: the first is called the antisolidarity effect, the second the policy-bundle effect. The antisolidarity effect arises when racism makes the ethnic majorities think that the ethnic minorities are lazy and undeserving. This tends to generate a reduction in the overall demand of political redistribution since redistribution will partly also favour that fraction of poor that the majority deplors. The policy-bundle effect arises because of the strategic behaviour of political parties. It can best be explained in terms of competition between two political parties, a left-wing party (Left) and a right-wing party (Right). The Left party is in favour of both redistribution and racial integration. The Right is against redistribution and racial integration. The point is that although voters’ preferences for redistribution are mainly determined by their economic positions, so that on the economic dimension the poor are for Left and the rich for Right, their preferences for the racial issue are not. In particular, there may be a fraction of poor voters from the ethnic majority, who despite their economic interest, may nevertheless vote for the Right because they are strongly against racial integration.

The book starts (in Chaps. 1 and 2) presenting a theoretical analysis of the two effects based on an equilibrium notion developed by John Roemer in a series of recent contributions (Roemer 2001; and references therein). The notion is called party-unanimity Nash equilibrium (PUNE). It is an equilibrium concept that combines the economic-opportunistic approach of the Downs’ model, in which political parties only care about winning the election, with the so called partisan approach to politics, where parties are only driven by ideological preferences.

The PUNE has advantages and disadvantages. An important advantage is that in a competition between political parties a PUNE equilibrium (almost) always exists, even when the space of the political competition is multidimensional. A disadvantage is that there may be many PUNE equilibria with no yet convincing theory of equilibrium selection. However, due to the partisan component of the model, political parties are not constrained to choose in the equilibrium the same political platforms. This is



important under an empirical perspective because one can use data on voters' preferences and on election outcomes to select those equilibria which are more consistent with a given real world situation. Such is the strategy exploited in the book to study how racism has affected redistribution policies in the four countries mentioned above.

The analyses are developed in four country sections, each beginning with a chapter on the political history of racism in the country; and then proceeding to a chapter with the main empirical study.

The chapters for US, France and Denmark are based on materials previously published in scientific journal articles. This witnesses the competence of the way in which the analyses have been conducted.

Taken as a whole the evidence confirms that, in all the four advanced democracies, racism and xenophobia have significantly pushed to the right of the economic dimension both the platforms individually offered by the political parties and the actual political outcomes. This has significantly reduced the extent of redistribution policies in all countries. For instance, the estimates reported for the US indicate that, absent racism, the overall tax rate would have been higher in the years of the analysis (which in all countries concerned election periods around the end of the last century) in a range between 11 and 18% of income points. The evidence also indicates that both the anti-solidarity effect and the policy bundles effect played a role to determine the impact of racism on redistribution policies. The results are strong for the US in which the two effects count approximately for half of the whole impact. This is an interesting addition to much of the previous literature, which instead inclined to interpret all the effect of racism on redistribution in terms of antisolidarity (particularly for the US, e.g., Alesina et al. 2001).

Several other results emerge from the country analyses. Possibly, a limitation is that the book is quite dense and some findings are not completely discussed in their implications. One may also wonder whether the estimated effects of racism on redistribution policies (as in the above figures quoted from the US) are after all not too large. The book is quite frank about this possibility and about the reasons for this. In the very essence, the latter amount to recognize that when one abandons the simple and comfortable one-dimensional space of the economic dimension and starts to add ideological and sociological motivations for political behaviours, then even a two-dimensional political space like the one studied in this book may be too narrow to characterize fully real world political outcomes. Nevertheless, one has to start from somewhere: racism and xenophobia are clearly central issues in politics. The book succeeds in showing that they have affected the choice



of redistribution in all the four democracies analyzed. It is definitively a right move in the direction to make models of political economy more credible. The book is technically important as it offers a concrete example where the promising PUNE equilibrium concept is put at work.

References

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