6-14-2010

The Political Economy of Poverty in the 'Glocal' Context: A Multilevel Cross-National Study

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A Multilevel Cross-National Study

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A Dissertation Submitted to The Graduate School at the University of Missouri—St. Louis
in partial fulfillment of the requirements for the degree
Doctor of Philosophy in Political Science

April 2010

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Acknowledgements

I thank the most distinguished members of the Political Science and Sociology faculty members at the University of Missouri—St. Louis (UMSL). Particularly, Professors Kenneth P. Thomas (Chairperson), G. Eduardo Silva, Dave Robertson in the Political Science Department and Professor Chikako Usui from the Sociology Department have been inspirations to my dissertation work serving as committee members. They tirelessly advised me during the entire learning process in my graduate studies here at the university. I would also like to thank Professors Lana Stein, Terry Jones, Marty Rochester, Lyman Sargent, Rich Pacelle, Brady Baybeck, Nancy T. Kinney, Joyce M. Mushaben, and Bryan Marshall for training me to become a critical thinker as both a consumer and producer of social science knowledge.

I would like to give my appreciation to Professors Michael Sherraden at Washington University in St. Louis and Margaret Sherraden at USML for encouraging me to pursue the doctoral degree in political science at UMSL. While working at the Center for Social Development, the Sherradens introduced me to Professor Margie Deweese-Boyd at Gordon College whose earlier path through Washington University's social work doctoral program and then to UMSL's political science program challenged me to follow this track. Her great wisdom and advice was instrumental in my commitment to academic excellence by learning from great professors in such an open and empowering environment here at UMSL.

Most of all, I thank God for allowing this dissertation to be a very special one that is to be used for His glory and honor. I am deeply indebted to my family members who have been with me from the beginning to the very last minute of this ten year journey. I feel that this humble work marks a new beginning for me as a person and as a scholar. I have a renewed commitment to poverty at the global and local levels which will help focus my vision on which I am to channel my work. I pray that this dissertation be put to good use by stimulating discussions and building social science knowledge for helping improve the lives of the poor and ultimately for strengthening the social fabric and the common good.

I especially thank my wife Sujin Susan Hong whose prayers and support has been unceasing. I always look to her as my strength, encouragement, and friendship as we walk together through all the challenges on the winding road that God has set for us. I also thank my daughter Jianna for remaining strong during difficult times of her health complications and uncertainties. This was the time when this dissertation was being written and my ardent prayers for her health gave me the extra motivation to finish the work.

Without the commitment and sacrifice of my in-law parents and grandmother, this work could not be completed. I thank them for their courage and love, and most of all for believing in me as I pursued this important work. I particularly thank my mother and father for their prayers

Dedicated to my loving family

whose love and prayers have defined my character

"An individual has not started living until he can rise above the narrow confines of his individualistic concerns to the broader concerns of all humanity."

Martin Luther King, Jr.

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Abstract of the Dissertation

The Political Economy of Poverty in the 'Glocal' Context:
A Multilevel Cross-National Study

by
Philip Young P. Hong

Doctor of Philosophy in Political Science
University of Missouri—St. Louis, 2010

Professor Kenneth P. Thomas, Chair

The purpose of this study is to examine the extent to which socio-politico-economic factors at the structural level impact individual poverty across 17 developed countries in a period of welfare state retrenchment and growing international interconnectedness. This dissertation contributes to a newly developing body of knowledge on cross-national comparison of individual poverty using multilevel analyses. This method allows for modeling various determinants of poverty (variables with different units of analysis at both individual and structural levels) together in a single analysis.

The OECD and Luxembourg Income Study (LIS) data were used to conduct a cross-national comparative analysis of 17 affluent economies. The LIS is a cross-national data archive, one of the best harmonized database sources for comparative studies on poverty and income distribution. In order to examine the variations in poverty among individuals in advanced welfare states, 17 countries were selected from LIS Wave 5 (around year 2000).

Focusing on labor market active age group (between 18 and 65 years of age), merging of the data for these countries yielded roughly 120,838 working-age individuals in the sample.

Analyses leading up to the multilevel approach examined the variations of social welfare effort among 110 countries by their socio-economic and political development, poverty at the aggregate level in a series of bivariate analyses of 17 affluent economies, and the local perspective of individual poverty in the United States. Social welfare effort cross-nationally is found to be conditioned primarily by the socio-economic determinants in the larger global context.

Globalization and politics play a more significant positive role on social welfare effort among the advanced democracies. Globalization also has a positive effect on politics. While globalization does not have a direct effect on aggregate poverty, politics and social welfare effort have significant effects. Local determinants of poverty show that human capital and demographic variables significantly affect poverty, but with differential effects of human capital for the poor compared to the near poor.

The multilevel analyses provide a glocal perspective on explaining individual poverty. Results indicate that individuals who reside in countries with higher degree of globalization and greater left political power are less likely to be poor. Plus, those residing in countries with higher welfare state generosity and active labor market policies are less likely to be poor.

Controlling for individual level demographic and human capital variables, the global and nation level structural variables were found to be significant. Individual poverty is affected by: (1) globalization; (2) politics [representation of the poor; cumulative left party power; and union density]; and (3) social welfare commitment [welfare generosity; active labor market policies; and public educational expenditure]. Implications for U.S. poverty and glocalization strategies to tackle structural poverty are discussed.

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Chapter 1. Introduction

This introduction section provides the overview of the dissertation. This dissertation attempts to investigate the individual and structural determinants of individual poverty. Supported by the structuration theory that views state actors not only as being influenced by external and internal structures but also causing variations in these structures, the dissertation understands the concept of 'self' within this type of dynamic global system and subsystems. Considering multiple layers of causal factors, I suggest that individual poverty be understood from a 'glocal' perspective. Here, lack of human capital within the local context could reflect the consequence of structural vulnerability of the poor vis-à-vis the global system and the national subsystems (Rank 2004).

Guided by these theoretical orientations, the dissertation asks to what extent socio-politico-economic variables, given individual human capital, demographic, and household structures, affect poverty at the individual level. Employing a cross-national comparative method, the dissertation first analyzes the interplay of structural—i.e., global and national level—variables as they affect welfare state and poverty at the aggregate level. Then, it examines the interplay of individual factors affecting individual level poverty in the United States. These two perspectives were combined in analyses of multilevel models of 17 affluent democracies in order to answer the main question.

1.1. Problem Issue and Purpose

This dissertation focuses on the issue of poverty both at the aggregate and individual levels. It is maintained that poverty results from the natural workings of the global economic system, but the degree to which the political system exercises power vis-à-vis the global market determines social welfare commitment and poverty. Active government involvement to ensure 'social rights' for its citizens makes economic well-being a key common good issue, while failure to organize the public will to remedy poverty keeps it a bootstrap issue. In this regard, globalization, politics, and social welfare commitment represent the structural socio-politico-economic environment contributing to the consequence of poverty.

The purpose of this study is to examine the extent to which these socio-politico-economic factors at the structural level impact aggregate and individual level poverty across affluent democracies during a period of growing international interconnectedness and welfare state retrenchment. Employing a multilevel study, the dissertation seeks to understand the interplay among the nation-level social, political and economic factors and individual labor market and demographic factors as they affect individual poverty outcome.

The dissertation will provide answers to the following research questions:

1. To what extent are socio-economic and political development associated with *social welfare effort* of nation-states in general? [Chapter 2]

2. Controlling for socio-economic and political development, how do globalization and politics affect *social welfare effort* among affluent democracies? [Chapter 2]

3. What are the effects of socio-politico-economic factors on poverty at the aggregate level in affluent democracies? [Chapter 3]

4. What are the effects of socio-politico-economic structural factors, along with individual factors, on poverty at the individual level in affluent democracies? [Chapter 4 & 5]

The dissertation portrays contemporary society as workings of both global and local forces and structures the world as a global society. Understanding poverty requires thinking *globally* about its structural causes and linking *local* particularities—hence 'glocalizing' structural poverty—to improve the well-being of individuals and families as the social policy outcome. In this respect, application of glocal knowledge on social policy and poverty can help plan for eradication of poverty in this highly complex, globalized world-system.

1.2. Significance of the Issue

Jeffery Sachs estimates that about 1 billion world citizens live in extreme poverty and another 1.5 billion live in poverty; this totals

approximately 40% of humanity. The world has made great economic progress over the centuries, but "at a different rate in different regions" (2005, 31). Fed by a confluence of factors in recent history—notably technological innovation—the gap between the richest economies and the poorest regions has widened to twenty to one. In this global environment, Sachs maintains, the poor are caught in a poverty trap and challenged by structural forces that "keep them from getting even their first foot on the ladder of development" (2005, 226).

Government involvement in social welfare has been most extensive in Western industrialized countries since the early 1900s (Dixon and Scheurell 2002; Esping-Andersen 1990; Ginsburg 1992; Pierson 1991). These governments have intervened to promote the welfare of their citizens, and thus they have acquired the name "welfare states" (Finer 1999, 16-17; Midgley 1997, 79) and have enjoyed their "golden years" roughly from 1945 to 1975 (Dixon and Scheurell 2002, 237; Esping-Andersen, 1996, 1). During these years, many developing nations and more recently the transitional economies have modeled after one or some mixes of these forerunner systems to establish their own kinds of state welfare structures.

Since the mid-1970s, however, governments of advanced capitalist democracies have in varying degrees attempted to retrench the welfare state (Swank 2001; Esping-Andersen 1996). Welfare states engaged in "across-the-board cost cutting in response to a crisis of profitability in the capitalist

economy" (Fabricant and Burghardt 1992, 29). These budget cuts and

consequent changes in the structure of social services have been

fundamentally linked to declining economy. With the emergence of the

economic crisis and the rise of the debtor state, access to and benefit levels of

entitlement programs have diminished (Fabricant and Burghardt 1992, 14).

Figure 1.1: Average social welfare spending among 18 Affluent Democracies
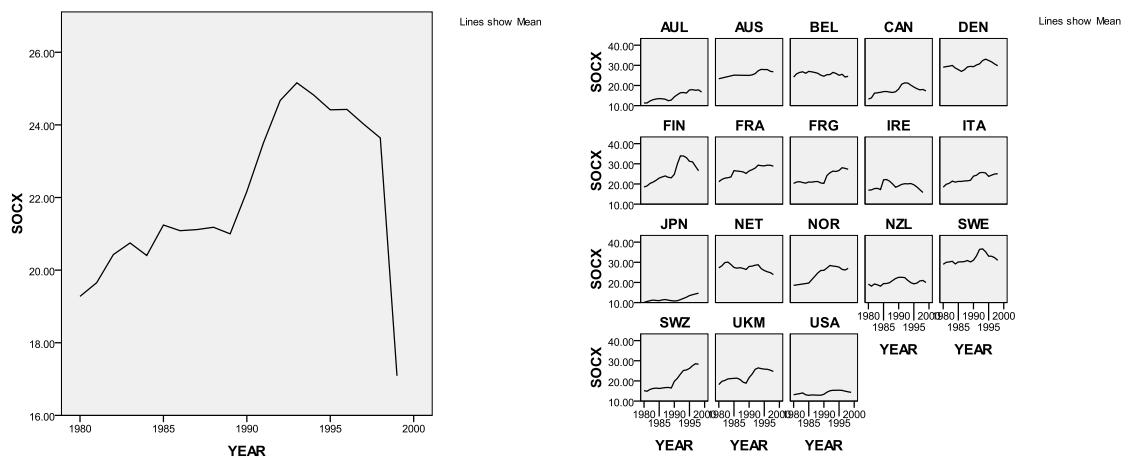
Figure 1.1 reports the change over time in average social welfare

spending using the Comparative Welfare States Dataset assembled by Huber,

Ragin, and Stephens in 1997 and later updated by Brady, Beckfield and

Stephens in 2004 (Huber et al. 2004). It is evident that the mean social welfare

spending as a percentage of GDP among 18 affluent democracies declined

precipitously since the early 1990s. For some countries, downward changes

were taking place since the 1980s. The United States in particular

maintained the lowest social welfare spending per GDP compared to other

advanced economies. The cost-containment policies have not only

undermined the living situations of the poor people (Fabricant and Burghardt 1992) but also degraded global humanity as a whole (Mohan 1985; 2005).

Welfare states play a crucial role of managing economic risks, distributing economic resources and institutionalizing equality (Brady, 2009a; 2009b). Even with gradually increased spending on social welfare between 1980 and 1992, the post-tax post-transfer poverty rate reversed the reduction trend prior to this time (Calyton and Pontusson 1998). Economic changes in more egalitarian Nordic welfare states during the 1980s and 1990s—i.e., declining employment—contributed to earnings inequality, which triggered increased government redistribution (Kenworthy 2004).

Wage inequality has grown since 1980 due to the declining wage bargaining and public sector restructuring along with various structural factors—i.e., structural unemployment, immigration, changes in demand for labor, slower growth of higher education, (Clayton and Pontusson 1998). In countries where wage inequality was key to rising poverty and household income inequality—the United States, the United Kingdom, and Italy— welfare states were less generous thereby increasing post-tax post-transfer income inequality (Kenworthy 2004).

Compared to other advanced welfare states, the United States has the highest poverty rate and inequality at the beginning of the 21st Century (Smeeding 2005; Brady 2009a; 2009b). Poverty is a significant structural issue as it is deeply present in the United States, the world's richest nation

(Brady 2009b; Rank 2004). Due to American institutions and lack of

spending effort, government policies and social spending produces much less

effect in the United States compared to any other advanced democracies

(Smeeding 2005).

Approximately 50 million or 20% of Americans are relatively deprived

and this figure may be as large as thrice the size of some Western European

countries (Brady 2009b). Even more striking is that the high risk of

experiencing poverty cuts across all age groups. A series of life-table

analyses conducted by Rank and Hirschl (2001) suggest that poverty is a real

issue that affects the lives of almost everyone in America. Their studies

revealed that about 66% of all Americans are expected to experience at least

a year in poverty by age 75 and that 37% of American adults will experience

extreme poverty (below 50% of the poverty line).

The magnitude and pervasiveness of the issue suggest the structural

nature of poverty. What is most striking is that 34% of all American

children—including 69% of African-American children and 63% of children

whose household head has less than 12 years of education—will experience

poverty before the age of 17 (Rank and Hirschl 1999). In 2006, about 17% of

all children (13 million) lived in families with below-poverty income (National

Center for Children in Poverty [NCCP], 2007b). Research suggests that

families need income of at least twice the federal poverty level (FPL) to take

care of basic needs, but one finds that an additional 19% of children live in families with 100% to 200% FPL income (NCCP 2007a).

The United States, to a large extent, exercises its post-Cold War hegemonic power as a military and an economic leader. As an icon of prosperity based on individual freedom and liberty, the United States' central position within the international community triggers other nation-states to emulate its policy choices. For example, welfare reform is already being modeled by other Western European and developing countries as a way to meet the financial challenges that governments have had to face since the 'welfare state crisis' (Schelkle 1999). A 'race to the bottom' as it applied to the United States (Schram and Beer 1999) could lead to an international pattern of moving toward lower benefits and stricter rules for welfare provision (Mosley 2005).

1.3. Global vs. Local in the World-System

1.3.1. Globalization and Welfare State

Various schools of thought in international political economy—liberalism, realism, and historical structuralism[1]—have over many years developed theoretical arguments on the processes and effects of capitalism. Especially after the fall of Berlin Wall and the Soviet Union, which signaled the end of the Cold War, an agreement growingly emerged that capitalism's

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[1] The three main perspectives are not mutually exclusive ideologies and each contains a wide variety of writings within (Cohn 2000).

liberal market forces are being unleashed into the unclaimed prairies of open

global economy. This is the context in which this dissertation begins the

academic inquiry about what impact global capitalism has on the degree of

state authority in terms of protecting the welfare of its citizens domestically.

So long as welfare states remain an influential actor in this global arena, the

locally weak and rather underrepresented needs of its citizenry could avoid

marginalization by the whims and woes of the global market forces.

Globalization is often referred to as a market-induced process by which

changes take place in capital flows, production systems, markets and trade of

goods and services (Poole and Negi 2008). It is manifested by global changes

in economic structures and transnationlization of the world economy (George

and Wilding 2002). These processes involve the spatial reorganization of

production from advanced industrial to developing countries, the

interpenetration of industries across borders, the spread of financial markets,

decrease in transportation and communication costs, and the diffusion of

identical consumer goods to distant countries (Mittelman 1996; Yeates 1999).

Dominelli (1999) suggests that globalization not only promotes the

'market discipline' but also affects all government activities, social welfare

systems, and human relationships. The main concern of globalization stated

by Cox (1996) is the loss of autonomous regulatory power by states. The

state's capacity of shielding domestic economies from negative effects of

globalization has diminished. Mittelman (1996) further adds that 'in a

globalized division of labor, the state no longer primarily initiates action in, but reacts to, worldwide economic forces.' In order to realize material gain from globalization, 'the state increasingly facilitates this process, acting as its agent.' While the curative measure offered to confront this has been more globalization, no regulatory power at the level of global economy has been provided (Cox 1996).

Mabbett and Bolderson (1999) explain the theory behind welfare state retrenchment that increased government spending on social welfare would raise the labor costs, which in turn would decrease profitability. In addition, when mobile capital will seek high-profit areas, it is inevitable that migration of capital will take place from generous welfare states to other profit maximizing areas. This process necessitates reform or the welfare states have to suffer economic crisis. This efficiency perspective suggests that globalization reduces political power and economic autonomy thereby causing welfare state retrenchment (Blackmon 2006; Stiglitz 2006).

Many scholars have supported this position that global capitalism has challenged the welfare states in their authority and capacity to protect the common good against market failures at the global level (Deacon 2000; Fabricant and Burghardt 1992; Huber and Stephens 2001; Mkandawire and Rodriguez 2000; Mishra 1999; Nitzan 2001; Rieger and Leibfried 1998; Stoesz and Lusk 1995; Strange 1996; Teeple 2000). However, this dominant view has been contested by others who have maintained that globalization will

have a positive effect on social spending, reflecting the increased need for social protection (Garrett 1998; Kittel and Winner 2005).

In some recent studies, globalization was found to have a rather curvilinear relationship with welfare state generosity (Brady et al. 2005; Hicks 1999; Kim 2009; Rodrik 1997). Globalization has a differential effect on the government social welfare effort—positive for less globalized countries and negative for more globally integrated countries (Kim 2009). As governments of developing nations are constrained more broadly by financial market pressures than advanced nations (Mosley 2003), social welfare effort will be enhanced by triggering economic development (Brady et al. 2005). For already developed, mature welfare states, however, globalization causes contractions.

1.3.2. Agent-Structure Relationships in a Global Society

In light of these mixed findings and arguments, having knowledge in the linkages between the world economy and the national and local economies, and the changes in such linkages, is indispensable to understanding the social and political consequences within countries (Keohane and Milner 1996). When it comes to understanding welfare states' adoption of social insurance legislation, Usui (1994) maintains that world contextual factors contribute significantly by way of developing world-system and global norms for state provision of social security.

The world-system theorists define international system structures in terms of "the fundamental organizing principles of the capitalist world economy, which underlie and constitute states" (Wendt 1987). Thus, capitalism has created a global economy that subsumes the economics of the nation state (Wallerstein 1974). A world economy, according to Wallerstein (1974), is an economic division of labor, which is overlaid by a multicentric system of states. He further argues that capitalism, as a mode of production, has always been imperialistic by constituting a hierarchical division of labor between core areas and peripheral areas (Chase-Dunn 1981).

This categorization involves core areas being concentrated with capital-intensive production that uses skilled and high-wage labor, while peripheral areas contain mostly labor-intensive production that utilizes low-wage labor, which is often subject to extra-economic coercion. There is an inherent relationship of exploitation between the developed and the less developed world (Yearly 1996). Wallerstein (1974) believes that the governments of developing nations need to understand the way the system works and seize the chances created by the flow of global capital if they were to prosper (Midgley 1997).

The nation state, based on this view, should no longer be treated as the unit of analysis but the world in its totality. Barker (1978), cited by Chase-Dunn (1981), in support of this, points out that the social system of capitalism is not the state, but rather, the larger competitive state system. A

global economy requires analyzing the world as an integrated system in which economic forces flow according to the interests of capital. Wallerstein (1974) shares this view as he emphasizes that the only meaningful unit of analysis in comparative or international research of the global society is the whole world-system.

Observing the twentieth-century state in the core of the modern world-system, Taylor (2003) contends that a state is a container of multiple functions—i.e., waging war, managing economy, giving national identity, and providing social services. The states' traditional territoriality that was used to contain these functions has been challenged due to increasing globalization. Against the end of the state thesis and the argument that this container function might be leaking, he maintains that there is plenty of life left in the container.

Wendt (1987) critiques the structural approach in world-system theory by raising the question of 'agent-structure problem,' which situates agents and social structures in relation to one another. He suggests that human agents and social structures are theoretically interdependent or mutually implicating entities as he outlays two truisms about social life in which the agent-structure problem has its origins. One is that human beings and their organizations are purposeful actors whose actions help reproduce or transform the society in which they live; and the other that society is made up of social relationships, which structure the interactions between these

purposeful actors. The problem in world-system theory, therefore, is that there is no straightforward way to conceptualize these entities and their relationships—the agent-structure relations.

World-system theorists' approach to the agent-structure problem is to consider the world-system primitive and then to reduce state and class agents to the effects of the reproduction requirements of capitalist world-system. Wendt (1987) questions the ability of the world-system theory to explain the properties and causal powers of its primary units of analysis as seriously undermining the potential explanations of state action. While world-system theory provides important insights into examining the structure and dynamics of global systems, it leaves serious weaknesses in the theorization of the two basic building blocks on the global society—states and international system structures.

Instead, Wendt (1987) proposes a structurationist approach to the state system which views states in relational terms as generated or constituted by internal relations of sovereignty and external spheres of influence. The structuration theory suggests that states can be considered goal-directed units of action or agents by definition. Wendt (1987, 356) further states, 'just as social structures are ontologically dependent upon and therefore constituted by the practices and self-understandings of agents, the causal powers and interests of those agents, in their own turn, are constituted and therefore explained by structures.'

In other words, structuration theory conceptualizes agents and structures as mutually constitutive yet ontologically distinct entities where each is in some sense an effect of the other. The two entities are co-determined where the social structures are the result of the intended and unintended consequences of human action, just as those actions presuppose or are mediated by an irreducible structural context.

The structures that constitute agents can be divided into two distinct parts—external (social) structures and internal (organizational) structures—where each explains a distinct set of the causal powers and interests of agents. The external structure—the world economy in which states interact with each other—affects the internal structure of state agents, according to which states perform in the international stage. Through this process a new external structure is formed which, again, cyclically returns to influence the internal structure.

According to Wendt (1987), theories explaining global phenomena must have foundations in theories of both their principal units of analysis—state agents and system structure—because they are necessary when explaining state action. The world-system theory, although it provides deep insight into understanding globalization, only treats state and class agents as no more than passive bearers of systemic imperatives. Contrarily, the structuration theory emphasizes the importance of internal organizational structures for explaining the subjectively perceived interests of agents since

they condition their perceptions and responses to social structural imperatives and opportunities. This theory will guide contextualization of poverty in the global and local spheres as discussed in this dissertation.

1.3.3. Local Contexts in a Global Society

Social science knowledge has traditionally been locally focused and pragmatic (Shahidullah 1998). Yearly (1996, 9) posits that 'while claiming to be the scientific study of society as an abstract entity, sociology has in practice long acted as though society was only found in the form of nation-states.' As globalization is transforming the construction of social facts and the formation of social discourses in societies worldwide, examining present multidimensional social issues only within the bounds of nation-states will have to be limited.

However, social science was not originally born to become a national intellectual enterprise of a particular country. Rather, it was more local and global in focus before the days of nation-state development.

> Hobbes, Locke, Rousseau, Smith, Marx, Mills, Freud, Weber and Durkheim of classical social science searched for universals in understanding of human behavior and the organization of human society. But in the wake of the rise of social science in the nineteenth century, the old boundaries of empires crumbled, a process of decolonization began, and world societies began to be divided into nation-states. Social science's growth and expansion, then, began primarily as a part of national reconstruction and modernization in all the world societies in the twentieth century (Shahidullah 1998, 173).

Addressing the national and local concerns within the context of globalization could form a theoretical framework that can help bridge the issues of globality and locality (Harris and Chou 2001; Shahidullah 1998).

Could individuals act as an agent to the external structure or internal structure affecting the state agent and the global external structure? Arguably, it would be important to examine where the concept of the self stand in the global society (Simpson 1996). The features of the modern self, formulated by Mead (1934) is described as follows: "… linking identity formation and knowing, assimilating, absorbing subjectivity, the self is a highly complex, organized, and unified reality that incorporates and represents the social relations of which it is a part" (cited in Simpson 1996, 117).

As an acting unit, the self is the capacity to call forth the social attitudes and social meanings that the individual's action call forth in others. Mead (1934, 310) states that the social ideal and ultimate goal of human social progress is:

> …the attainment of a universal human society in which all human individuals would possess a perfected social intelligence, such that all social meanings would each be similarly reflected in their respective individual consciousness—such that the meaning of any on individual's act or gestures … would be the same for any other individual … who responded to them.

The viability of the Meadian self—that (1) the self is a natural unified identity and (2) the referential representative nature of the self is constituted

by social relations—is criticized by Simpson (1996) in the globalization

paradigm. First, the recursive self of Mead anchored in concrete face-to-face

primary and secondary relations cannot be produced at the global level. In

other words, it is impossible to be situated in a network of interpersonal

relations that encompasses everyone in the entire global society. Second, the

universal human society envisioned by Mead where all human beings would

possess a perfected social intelligence of common social meanings cannot be

feasible in the sense that it depends on the acquisition of interpretive codes

in common universal primary relations.

Therefore, no such unified common global society can exist for

individuals when the global Meadian self is rejected. However, Simpson

(1996, 199) notes, 'the Meadian self of family, locale, neighborhood, and

community can be global actors in the sense that it can enter the global

circuitry as a unit with a partial but entirely representative presence.' It is

partial because of being formed in a limited milieu and representative

because it can present to the world the features of that milieu. In other

words, self realized in the local context rather than the global context.

Therefore, individuals are legitimate actors in a world of multi-level

actors that represent individuals. Meyer, Boli, Thomas, and Ramirez (1997,

171) posit that the world society enjoys actors at several levels, each

demonstrating 'appreciable legitimacy.' They go on to state:

> Individuals and states mutually legitimate each other via principles of
> citizenship, while individuals and international organizations do the

same via principles of human rights. Between individuals and nation-states lie any number of interest and functional groups that have standing as legitimated actors due to their connections with individuals and states.

These functional groups can represent individuals as "social actors and structures such as new communities, cities, regions, and organization, which will be essentially local in spirit but global in character" (Shahidullah 1998, 164). In this context, individuals entitled to demand equality and claim primordial ethnic and familial rights (Meyer, Boli, Thomas, and Ramirez 1997).

1.4. Plan of the Dissertation

This dissertation contributes to the body of knowledge on poverty by linking globalization, politics, welfare state, and poverty. Based on the structuration theory, I outline the following multilevel conceptual map illustrated in Figure 1.3. There are several proposed relationships to be tested in the dissertation. First, globalization is the outer layer of the circle that represents the external structure, and politics and social welfare commitment are the nation level characteristics. While there are mixed findings on the effects of globalization on welfare state and poverty, politics has been known to significantly affect welfare generosity and poverty (Brady 2009a; 2009b). Little is known about how politics mediates the relationship between globalization and welfare state and this dissertation fills this gap.

Figure 1.2: Multilevel Conceptual Map of Structural Effects on Poverty
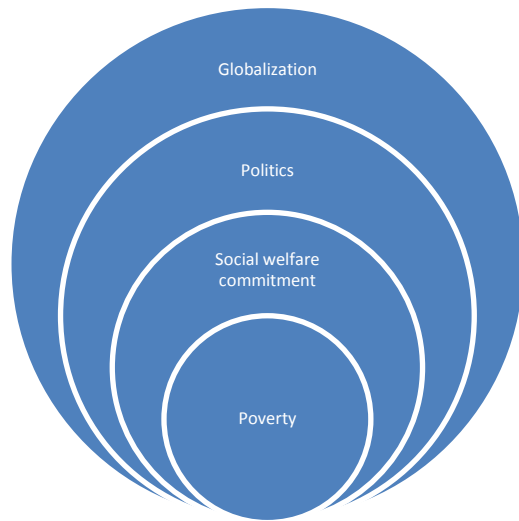
Second, poverty at the individual level may be a consequence reflecting variations in the nation-level politics and social welfare commitment and globalization. This type of inquiry requires conducting a multi-level analysis and there is paucity of cross-national comparative work done on individual poverty using a hierarchical linear modeling (HLM) technique. This method allows for modeling various dimensions of poverty (variables with different units of analysis at both individual and structural levels) together in a single analysis.

Only a few studies have examined individual and structural factors together in the same model explaining individual level poverty (Brady 2009a; Tai and Treas 2009). These two studies used a dichotomous dependent variable (poor=1 or non-poor=0) and therefore used a generalized estimating equations (GEE) method and a robust cluster analysis respectively. This dissertation adds to these previous studies by including multi-dimensional

socio-politico-economic structural factors in the analyses using HLM. Using a continuous poverty gap variable as the dependent variable, an HLM analysis could be conducted. While this dissertation does not interpret the results beyond the significance and the direction of the effects, the HLM allows for the interpretation of the magnitude of effects, one of the key missing pieces in these previous works mentioned above.

I follow Brady's (2009a) method and run a series of GEE models when examining poverty status among the working age population in general and then analyze poverty gap as the dependent variable for a sub-set of only those who are poor in a series of linear mixed models. Poverty gap is a continuous variable and therefore a PROC MIXED command can be used in SAS for an HLM analysis. The main global and nation level structural variables included in the study are: (1) globalization; (2) politics [representation of the poor; cumulative left party power; and union density]; (3) social welfare commitment [welfare generosity; active labor market policies; and public educational expenditure]; and (4) economic [unemployment rate]. The relationships among these structural variables and on individual poverty tested in this dissertation are illustrated in Figure 1.4.

Figure 1.3: Hypothesized Relationships of Structural Variables
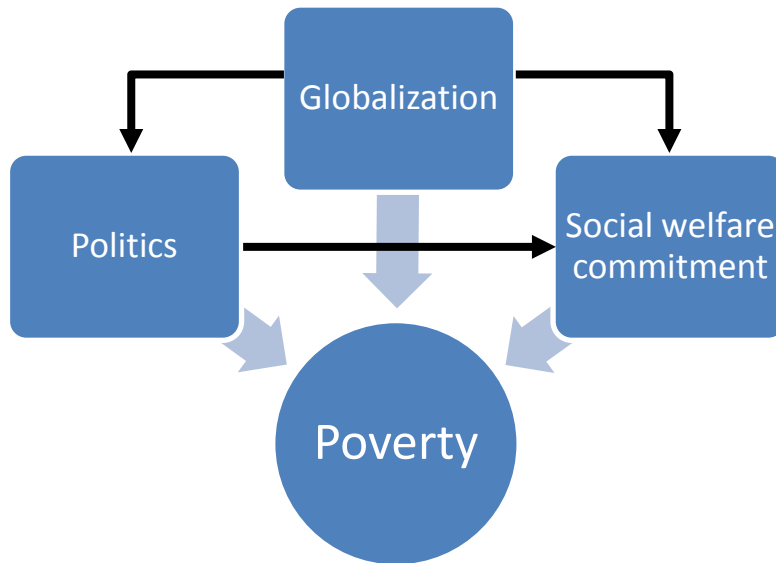
In order to explore the extent to which these hypothesized relationships hold, a series of analyses at multilevel are conducted in this dissertation. First, Chapter 2 starts with examining how socio-economic development and political development are associated with *social welfare effort* among 110 nation-states. This analysis was conducted to revisit some of the traditional theories of welfare state comprehensively as they apply to a cross-national dataset from 1980, the time point when the recent wave of globalization begins its full course. Finding that socio-economic variables predominantly explain the variations in social welfare effort, I then control for these variables by narrowing the investigation only to 17 affluent democracies on globalization, politics, and social welfare commitment (depicted by thin arrows in Figure 1.3).

Second, in Chapter 3, I then examine the extent to which these structural variables—socio-politico-economic factors—affect poverty at the

aggregate level in 17 affluent democracies. The chapter introduces various measures of poverty—particularly the head count percentage and the poverty gap—and measures of politics and social welfare commitment that will be used mainly for analyses in the dissertation. Based on the aggregate country-level data from Organisation for Economic Co-operation and Development (OECD) and Luxembourg Income Study (LIS), a series of bivariate analyses are conducted to validate the hypothesized relationships depicted by the thick arrows in Figure 1.3.

Third, Chapter 4 entertains the question of how local-level variables affect poverty at the individual level. Using a nationally representative dataset from the United States, I tested the traditionally dominant human capital theory and labor force attachment perspective along with other demographic variables. This relationship can be found in Figure 1.4.

Figure 1.4: Hypothesized Relationships of Individual-Level Variables
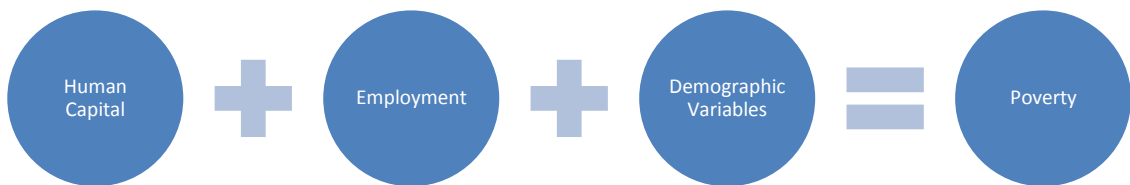
Fourth, Chapter 5 combines Figure 1.3 and Figure 1.4—therefore the glocal perspective—to examine the effects of socio-politico-economic structural factors, along with individual factors, on poverty at the individual level in 17 affluent democracies. The LIS data is primarily used along with structural variables adopted from the OECD data and the Comparative

Welfare States Dataset (Huber et al. 2004). The model depicted in Figure 1.4 is tested for each country using LIS and then HLM is used in a combined analysis using both the headcount poverty and poverty gap measures.

Fifth, in Chapter 6, I discuss poverty as the consequence of structural dependence of politics. Poverty may be a naturally occurring consequence within the capitalist economic system (Rank 2004), on which ideological values and political decisionmaking processes have become structurally dependent. The structural dependence of public will in dealing with structural poverty leads to political inertia that supports the status quo. Hence, what becomes marginalized is the structural definition of poverty and the policy alternatives for systematically dealing with the issue of poverty. Finally, Chapter 7 concludes the dissertation with an overall summary of the arguments based on empirical analyses and provides suggestions for research looking to the future.

While many international social policy scholars tend to agree that measures need to be taken to address the adverse effects of economic globalization, the views are split between resolving the problems through concerted global effort and emphasizing local activities (Ife 1998; Midgley 2001; Wagner 1997). Little institutional development has been made to provide systematic and formal approaches to confront global social problems— i.e. poverty and other human rights issues. The major social justice concern is not that globalization is causing these phenomena, but that

there is lack of government or state accountability in this newly emerged era of global social welfare needs. While politics is the most important structural variable that buffers these effects on individual poverty, a structurally dependent political system may not have the power to be accountable to its citizenry.

Chapter 2. Global Perspective I: Welfare State Generosity

This chapter examines the extent to which socioeconomic and political factors impact the degree of welfare effort in a period of welfare state crisis and growing international interconnectedness. The question driving the analysis is: What are some major determinants that have contributed to greater welfare effort soon after the mid-1970s when the erosion of the welfare state started occurring? What implications can one make taking into account that welfare effort over the last 30 years has substantially decreased as the economic interdependence among nation-state increased? This chapter explores these questions using the 1980 cross section of the Indicators of Social Development data in the beginning of welfare state retrenchment. Then a series of bivariate analyses are conducted to examine them among affluent democracies in order to control for the variations in socioeconomic and political development.

As acknowledged by Baldwin (1990), there exists a tension between socioeconomic and political explanations of welfare state development. In this chapter, these two theoretical perspectives are tested to permit an extensive reexamination of traditional studies of welfare state development. First, a literature review of the two mainstream theoretical perspectives (i.e.

socioeconomic and political perspectives) is conducted. Then, two models

based on variables suggested in these traditional perspectives are tested to

see which would have greater explanation in welfare effort of nation-states.

These two models are then integrated into a single model in order to observe

how together they explain welfare effort of nation-states. Although laying

emphasis on testing of theories imposes competition on theories (Mabbett and

Bolderson, 1999), this chapter suggests complementary measures to explain

welfare effort in a more complex globalized world-system.

2.1. Traditional Perspectives in Comparative Welfare State

Although the sum of all activities that promote human welfare may be

called social welfare effort (Midgley 1997, 68), this study primarily focuses on

the government involvement in social welfare to connote welfare effort or

what Wilensky et al. (1985, 5) referred to it as "welfare-state effort".

According to Mabbett and Bolderson (1999, 37), there is a group of studies

that used aggregate statistical data on government social expenditure to

measure social policy activity or welfare effort. These studies refer to welfare

effort as government expenditures on social programs—i.e., social security

spending as a fraction of the GNP or GDP (Esping-Andersen 1996; Castles

1996; Pryor 1968; Wilensky 1975) or per capita social security spending

(Aaron 1967; Peters 1972).

While government spending could reflect the magnitude of allocation, it is difficult to examine the comprehensiveness of a welfare state's legislative commitment to various dimensions of social protection. As a clue to welfare-state development, Cutright (1965) relied on an index of social insurance program experience indicated by the number of years a nation has had any of five Guttman-scaled programs in operation. This included work injury, sickness and/or maternity, old age, invalidism and death, family allowance, and unemployment insurance. In a study of seventy-six nations, he revealed that program experience was most strongly related to the level of development. Also to support this, Flora and Alber (1987) and Usui (1994) have included the year when key social legislation was implemented as a proxy indicator of welfare effort.

Wilensky, Luebbert, Reed Hahn, and Jamieson (1985) offer a wide spectrum of perspectives by which governments view their social policy development. Social policy—in contrast to economic or environmental policy—is a diffuse, residual category in some countries as broad as three quarters of what governments do, in others as narrow as income maintenance for the poor. As Aspalter (2006, 7) put it, "there is no one indicator of measuring it [social welfare] all". In this regard, Mabbett and Bolderson (1999) argue that search for knowledge requires that theoretical propositions be widely tested. International comparison allows propositions to be

examined with reference to information obtained from many countries (Aspalter 2006).

Therefore, conducting cross-national social policy analyses is important in that it enhances knowledge about the welfare state development and different social conditions of other countries (Midgley 1997). Major contributions have been made by the field of comparative social policy studies in terms of understanding the multiple dimensionality of social welfare effort—having a wide range of interventions—and highlighting how social welfare effort can be linked with key socio-economic outcomes (Mabbett and Bolderson 1999). Wilensky et al. (1985, 4) identify three basic contributions of comparative social policy research for top policymakers:

(1) Improvement can be made in policy deliberations by a better grasp of the degree to which welfare effort and program development are constrained by distant social, economic and historical factors and the degree to which social policy is a matter of political choice.

(2) By specifying broad policy options and program emphases chosen by diverse countries confronting similar problems, comparative social policy brings a wider range of policy options to view.

(3) Since comparative research uncovers the social, political and economic consequences of different types of social policy and levels of welfare effort, it can improve the policymakers' understanding of real opportunities and constraints.

2.1.1. Socioeconomic Perspectives of the Welfare State

The socioeconomic perspective of welfare effort emphasizes "the impact of economic growth and demographic and organizational/bureaucratic

correlates" (Wilensky et al. 1985, 5). Usui (1994) also includes changes in technological and social structure of a society as socioeconomic forces affecting welfare state development. The *convergence theory* suggests that economic development makes welfare states more identical in their approach to providing social welfare. With economic growth, countries that vary in terms of their cultures and political traditions grow closer in their strategy for building the social safety net (Cutright 1965; Pryor 1968; Wilensky 1975). In a later study on the development of social insurance, Kuhnle (1981) also concluded that the timing of program adoption and the scope of legislation (extent of government funding) were influenced by levels of economic development.

Wilensky (1975) focused on economic development as the main variable explaining the differences in social welfare effort cross-nationally and over time. In his study of sixty-four nations, he found that welfare effort varies by economic level. Also, his findings indicate that this relationship depended highly on demographic and bureaucratic outcomes of affluence. Consistently using GNP per capita as a proxy measure of economic development, convergence theorists are on solid ground as they assert, "programs to protect against basic risks of industrial life are primarily responses to economic development and are independent of political factors" (Wilensky et al. 1985, 7-11).

In contrast to sole economic explanations, a sociological *diffusion process* views social policy initiatives primarily as the outcome of imitation, whereby nations copy the efforts of welfare-state pioneers. Collier and Messick (1975) suggest that innovations appear in the most advanced, largest centers (modernized countries) and are then adopted by successively less advanced or smaller units (non-modernized countries). They use the percentage of labor force employed in agriculture to measure non-modernization and the date of first program to measure welfare effort. The reported findings seemed to indicate that a fairly strong tendency for countries to adopt social welfare programs at progressively higher levels of modernization. One could read this to understand that a hierarchical diffusion process would consistently occur from more modernized to less modernized countries. However, Collier and Messick (1975) report a rather contradictory finding when they examined a subset of Western European countries (Wilensky et al. 1985). The more modernized or advanced a country was in the Western European context, the later it adopted a social insurance scheme.

To suggest a little different approach to understanding modernization, the concept can represent the degree of dehumanization (Mohan 1985; 1992; 1993; 1997) and the failure of voluntary provision to adequately address "the human costs of unmet social welfare needs that threaten to become social and political costs" (Dixon and Scheurell 2002, 233). Modernization may mean

various aspects of economic, social, and political advancements (Germani 1981) and they are associated with the process of Great Transformation (Polayni 1957)—i.e., social differentiation, individuation and individualism, market / scientific growth, autonomization, social / organizational innovations, etc.

This is in line with the basic thesis asserting, "welfare state is a product of the needs generated by the development of industrial societies" (Pierson 1991, 16). Germani (1981, 52) provides urbanization as an amalgamation of social traits that are attributed to industrial societies, commonly characterized by "opposing traditional (or sacred) to modern (or secular) society." He assembled 36 indicators of economic, social, and political modernization and found them to be high correlated with urbanization (Ibid, 74).

2.1.2. Political Perspectives of the Welfare State

According to Usui (1994, 255-56), there are two camps of thought within the political perspectives on welfare state development. One emphasizes the societal political forces as critical to welfare state development—i.e., working-class political mobilization; strength of unions; mass party organizations; electoral turnout; and government characteristics. She categorizes these societal political forces into two groups: (1) the class-based interests and (2) non-class-based, demographically connected interests.

The class-based interests demand state-sponsored benefits as supported by the working-class strength theory (Shalev 1983) and power resource theory (Korpi 1989). A non-class-based interest demand from diverse groups of citizens in contemporary society can also affect government action through electoral participation.

The second stream of thought within the political perspectives emphasizes government related factors—i.e., government representatives, politicians, and political parties. These researchers maintain that "it is not just class-based political struggles but also government administrators that affect welfare state development" (Usui 1994, 256). It is in the self-interest of government officials to represent the societal interest in order to gain electoral support. Government representatives therefore mediate the relationship between societal interests and government social welfare policies.

Another political perspective on different levels of welfare effort focuses on government ideologies in terms of attitudes about more or less planning for equality (Castles 1978a). Coughlin (1980) asserts that a country's mix of economic collectivism and economic individualism will match its social spending and taxing and the actual amount of government intervention. Castles (1978a) argues that ideology is a crucial variable in explaining differences in welfare effort. His concept of ideology is defined

through the degree to which parties and party systems agree on promoting egalitarian policies.

Castles introduced two alternative variables as indicators of "pure welfare"—education expenditures as a percentage of GNP and deaths in the first year per 1,000 live births. He asserted that over the long term, education spending would redistribute income-earning potential. Also, he contended that infant mortality should be seen as an index of society's care for the weak. However, Wilensky (1975) rejected the idea of including education expenditures as a measure of egalitarian ideology. He asserted that education at higher levels and among better institutions may have effects that are regressive rather than egalitarian. He further criticized Castles for including infant mortality because the measure is influenced by outcomes that are only partly attributable to policy (Wilensky et al. 1985). Therefore, it was later agreed upon that these two variables do not adequately represent the political perspective explaining the variation in welfare effort.

Based on the study of Scandinavian countries, Castles (1978b) argued that high levels of welfare effort were associated with left dominance in the party system. Left parties, according to Wilensky et al. (1985), are defined by broad ideological stance: any party with a major commitment to using the state apparatus to redistribute national income toward lower strata that has historically advocated increased economic, political and social equality.

In attempting to isolate the role of parties and electoral competition, Heclo (1974) focuses on the function of parties in democratic societies: parties offer distinct choices; voters make distinct choices; and parties in government have a mandate to implement the choices. In support of this view, Gastil (1996/1997) contends that electoral democracies offer the best climate in which basic freedoms can thrive. Moreover, Sirowy and Inkeles (1990) introduce a position that political democracy operates to reduce distributional inequalities.

2.1.3. An Integrated Perspective

While Wilensky particularly emphasized socioeconomic factors contributing to the variations in social welfare effort across countries, other researchers highlighted political factors as being key to impacting social welfare effort (Castles 1978a; Heclo 1974; Gastil 1996/1997; Sirowy and Inkeles 1990). These two streams of thoughts have been tested through continuous research activities from which new explanations continued to be added. Mabbett and Bolderson (1999) cite the role of religion (Wilensky et al. 1985; Castles 1994), and the structure and size of the state (Huber, Ragin, and Stephens 1993). Along these lines of effort, Wilensky came to develop "a further model which combines the influence of industrialization (convergence) and politics (divergence) and includes the role of democratic corporatism and the power of mass-based Catholic and 'left' political parties" (Mabbett and Bolderson 1999, 43).

2.2. Traditional Comparative Cross-National Analysis

2.2.1. Research Question and Model

The first part of this chapter explores the different effects that the two

traditional theoretical perspectives and an integrated model have on nation-

states' welfare effort, as have been previously documented in different

literatures. First, the socioeconomic perspective (Model 1) included GNP per

capita (Wilensky 1975) as a proxy for economic development and

modernization (Collier and Messick 1975) for unmet social welfare needs

accompanied by urban industrialization. Second, considering that no

information on the ideology, type of government, power of labor, or party

representation were available in this dataset, the political perspective (Model

2) could only include freedom (Gastil 1996/1997; Sirowy and Inkeles 1990) as

a measure of political rights and civil liberty that the nation-states provide

for its people. Third, after examining these two models independently of each

other, the integrated model (Model 3), which combines both socioeconomic

and political perspectives, is examined as to how they affect welfare effort

(Cutright 1965; Flora and Alber 1987).

Revisiting the traditional theoretical perspectives, it is hypothesized

that both socioeconomic and political models significantly affect welfare effort

in separate analyses. However, it is further hypothesized that the integrated

model has a significant relationship with welfare effort of a country. This

exploratory study is not intended for preferring a particular model to the other. Rather, the main focus is to validate the traditional knowledge on how different measures account for welfare effort across nations in order to pursue a complementary and broader explanation of welfare effort in the advent of a more complex globalized world-system.

In order to test these hypotheses, a multiple regression or an ordinary least square (OLS) regression analysis was employed. OLS is eminently suited for analyzing collective and separate effects of two or more independent variables on a dependent variable" (Mabbett and Bolderson 1999, 3). Particularly in explanatory research, it is useful for taking information from independent variables to explain the variability of a dependent variable (Ibid, 5). Also, OLS is noted as one of the main methodological features of comparative social welfare research (Ibid, 41). As Mabbett and Bolderson (1999, 44) contend, "the convergence theory was most strongly supported when the data were drawn from countries across a wide range of levels of economic development." In this regard, this dataset was found to be particularly appropriate for testing the expected relationship between welfare effort and GNP per capita as a proxy for economic growth.

2.2.2. Data and Analysis

This study is based on a secondary analysis of the Indicators of Social Development 1970-83 data, which is a collection of data from the World

Bank, United Nations organizations and other internationally based organizations (Estes 1988; 1997). The key source of information for this country-level data is the World Bank's World Development Indicators (WDI) series. Also included are data from external agencies, such as the UN's Human Development Report, UN HABITAT, EIU, and ICRG among others.

The Indicators of Social Development provide a snapshot of a country's or region's social development that is a useful starting point for more detailed analytical work. By making social development issues comparable across countries and regions, the indicators provide cross-country evaluations of development effectiveness. The indicators are organized into four sections, starting with the country context, which provides background information on each country, and the three conceptual dimensions of the social development strategy—inclusion, cohesion, and accountability. Information gathered in the dataset reflects the time in which governments of advanced capitalist democracies have in varying degrees attempted to retrench the welfare state in response to declining economy.

A cross-sectional analysis using selected variables for the year 1980 from the dataset is conducted on 110 countries. When a set of data consists of a high percentage of missing values, it may be difficult if not impossible to make interpretations of the results and to draw correct conclusions. In other words, missing values could be a threat to generalizability of results. The Indicators of Social Development 1970-83 data presented this problem having

as many as 82 cases out of 192 total missing values for the dependent variable. The frequencies of missing data for each independent variable were 68 for GNP per capita, 0 for modernization, and 68 for freedom. A closer physical examination of these 82 missing cases revealed a systematic pattern such that they were disproportionately among 'least developed' or 'developing' country categories—i.e., Angola, Belize, Botswana, North Korea, Sudan, etc. Governments of these countries have consistently failed to contribute their data on many of these variables to the World Bank and/or the UN's Human Development Report (UNDP 1998).

The fact that welfare effort is defined in this data based on the number of years since first social policy legislations were implemented could possibly speak to the major reason why these countries might be missing this information. Midgley (1997, 68) suggests that welfare effort in this sense is called "statutory" or government involvement in social welfare, which could be neglecting other forms of social services that may exist in these countries. Missing data could denote nonexistence of government social policies or perhaps lack of systematic government data management system. These missing cases are omitted from the analysis rather than loosely imputing any values (i.e., predicted or mean values). Therefore, generalization of the findings should only be applied to those countries that have had any government-sponsored welfare effort in place.

2.2.3. Social Welfare Effort

The dependent variable of interest is the welfare effort sub-index,

which is a component of the Index of Social Progress (ISP). Richard J. Estes

(1997) from the University of Pennsylvania has developed an ISP for the

purpose of identifying significant changes in 'adequacy of social provision'

and to assess the progress in providing more adequately for the basic social

and material needs of the world's population. The ISP consists of 46 social

indicators that have been subdivided into 10 subindexes: education, health

status, women status, defense effort, economic, demography, geography,

political participation, cultural diversity, and welfare effort. All 46 indicators

are known to be valid indicators of social development.

The welfare effort sub-index is a composite measure comprising five

variables measuring the number of years from 1980 since the "First Law"

was implemented to protect income loss resulting from (1) old age, invalidity,

death; (2) sickness and maternity; (3) work injury; (4) unemployment and (5)

cash payments to families with children (USDHHS 1990). First Law is

defined as the first consolidated compulsory legislation extending protection

against a specific risk to a substantial segment of the salaried labor force on

an industry-wide or nation-wide basis.

The weights used to construct the index were derived through a two-

stage varimax factor analysis in which each indicator and subindex was

analyzed for its relative contribution toward explaining the variance

associated with changes in social progress over time (Sharpe 1999).
Standardized subindex scores were then multiplied by the factor loadings to
create weighted subindex scores and the Composite Weighted Index of Social
Progress (WISP) scores were obtained through a summation of the weighted
subindex scores. Estes argues that the WISP is a more comprehensive, valid,
reliable instrument for assessing changes in social development over time
than other indices on national and international progress like GDP and the
HDI. Estes (1995; 1996a; 1996b; 1997) has provided estimates for 124
countries for 1970, 1980, and 1990.

When observing the data, Denmark with the highest welfare sub-index
value of 29 had its age law passed in 1891, sick law in 1892, injury law in
1898, work law in 1907 and family law in 1952. In other words, the welfare
sub-index score of 29 was the highest ranking score among all countries.
Germany, which also scored 29 on the welfare sub-index, reported to have
passed the age law in 1889, sick law in 1883, injury law in 1884, work law in
1927 and family law in 1954. Both of these countries had 360 total years to
1980 since all five categories of laws were passed. Theoretically, welfare
effort was bounded at the lower end by 0 (for those countries that did not
have any of these laws implemented) and was unbounded at the upper end.
Total observation was 110, empirically bounded by 1 at the lower end and 29
at the upper end (see Table 1). The mean value of this variable was 11.47
and the standard deviation was 7.95.

Table 2.1: Descriptive summary of variables

Variables	Obs	Mean	Median	Std. Dev.	Min	Max
Welfare effort	110	11.47	9.00	7.95	1.00	29.00
GNP per capita	110	3131.46	1285.00	3966.41	110.00	16440.00
GNP log	110	7.21	7.16	1.37	4.70	9.71
Modernization	110	46.93	48.00	24.87	0.00	100.00
Free	110	.31	0.00	.46	0.00	1.00
Part free	110	.34	0.00	.47	0.00	1.00
Europe	110	.25	0.00	.43	0.00	1.00

2.2.4. Socioeconomic Variables

Socioeconomic variables represent the economic and social characteristics that accompany industrialization. GNP per capita was selected as a proxy for economic development. It is a continuous independent variable, expressed in US dollars, that measures the total domestic and foreign output claimed by each resident of a country. It comprises gross domestic product (GDP) adjusted by net factor income from abroad, which includes income for factor services (labor, investment and interest). It is calculated without making deductions for depreciation.

GNP per capita is theoretically bounded at the lower end by US$ 0 and unbounded at the upper end. A univariate analysis indicated that there were 110 observations (see Table 1). The empirical range for GNP per capita was US$ 16,330, bounded by US$ 110 at the lower end and US$ 16,440 at the upper end. The mean value of this variable was US$ 3131.46 (standard deviation=3,966.41) with the median value of US$ 1,285. This variable, however, violated the linearity assumption for Classical Linear Regression

Model (CLRM), suggesting the need for a log transformation. The transformed log GNP per capita ranged from 4.70 to 9.71 with the mean value of 7.21 (standard deviation=1.37).

Modernization was chosen to reflect the social consequence of unmet social welfare needs based on the extent to which a country is urban industrialized. It is a continuous independent variable that measures the percentage of urban population in total population. The calculation involved dividing the percentage of population living in areas termed urban of a particular country by the sum of percentage of those living in rural and urban areas. Modernization is theoretically bounded at the lower end by 0 percent and 100 percent at the upper end. There were 108 observations in this variable whose observed range was 0 percent at the lower end and 100 percent at the upper end (see Table 1). The mean value was 48 percent (standard deviation=.24) and the median was 48 percent.

2.2.5. Political Variable

Freedom was selected to represent the political climate of a country. It is a polychotomous variable that reflects a composite rating based on national averages attained on the Civil Liberties and Political Rights Indexes. Gastil (1996/1997) defines freedom as right of all adults to vote and compete for public office, and for public office, and for elected representatives to have a decisive vote on public policies. Freedom is a broad concept that encompasses

two sets of characteristics grouped under political rights and civil liberties. Political rights enable people to participate freely in the political process. Civil liberties are the freedom to develop views, institutions and personal autonomy apart from the state. Countries are rated as either 1 for "free"; 2 for "partly free"; and 3 for "not free". A total of 110 observations were found with 30.28 percent of the countries reporting as "free" (n=34), 33.94 percent "partly free" (n=37) and 35.78 percent "not free" (n=39). Then, this variable was dummy coded with not free being the reference group.

2.2.6. Control Variable

One of the CLRM assumptions is that there is no autocorrelation between the disturbances, having no disturbance u_i and u_j correlated with each other. The data used for this study being a cross-sectional data, a spatial autocorrelation among countries closely located geographically could possibly exist in this dataset. This would mean that the estimated residuals may exhibit a systematic pattern associated with the regional differences. Once detected, this would need to be taken out of the data. After sorting welfare effort in the descending order and examining the pattern, a possibility of spatial autocorrelation among European countries scoring higher in the welfare sub-index than countries of other regions. A new dummy variable was created whereby the value of 1 was assigned for European (n=27) and 0 for non-European countries (n=83). Once this

variable was entered into each model to control for spatial autocorrelation, heteroscedasticity found in the error terms disappeared as well.

2.2.7. Findings

To provide a summary of key findings, first, the OLS results from the socioeconomic and political models were found to be significant when examined separately. From the socioeconomic model, one can understand that countries that have greater potential unmet social needs of the modern world represented by the level of urbanization have greater welfare effort. Also, in the political model, countries that enjoy greater freedom have greater welfare effort. Second, in an integrated model, the combined effect was significant in the model but with only modernization remaining as a significant variable. Controlling for all other variables, unmet social needs in modern urbanized countries influence governments' decision to implement social protection schemes. Detailed findings by each step are provided in the following:

A multiple regression analysis of the socioeconomic model was conducted, in which welfare effort was regressed on the log of GNP per capita, modernization, and Europe. The socioeconomic model (Model 1) was significant [$F(3,106)=122.86$; $p=.0000$] explaining about 78 percent ($R^2=.7766$) of the variance in welfare effort (see Table 2). The adjusted R^2, corrected for sample size and number of independent variables, was .7703. Modernization

(b=.05, t=2.22, p=.028) had a partial slope significantly affecting the model while the log of GNP per capita was not found to be statistically significant. An increase of 1 percentage point in modernization was associated with an average welfare sub-index score rise of .05 when the log of GNP per capita and Europe was held constant.

Table 2.2: Multivariate Regression Analyses of Welfare Effort

Theoretical Perspectives	Variables	Model 1			Model 2			Model 3		
		$\hat{\beta}$	$(se(\hat{\beta}))$	Sig.	$\hat{\beta}$	$(se(\hat{\beta}))$	Sig.	$\hat{\beta}$	$(se(\hat{\beta}))$	Sig.
Socioeconomic	GNP per capita	.95	(.54)					.87	(.57)	
	Modernization	.05	(.02)	*				.05	(.02)	*
Political	Free				2.17	(1.08)	*	.51	(1.05)	
	Partly free				.73	(.99)		-.28	(.92)	
Control variable	Europe	12.13	(1.19)	***	14.68	(1.09)	***	11.89	(1.26)	***
	Constant	-.87	(2.99)		6.95	(.71)	***	-.38	(3.11)	
N			110			110			110	
R^2			.78			.72			.78	
Adjusted R^2			.77			.72			.77	

Note: * p<.05, ** p<.01, *** p<.001

The political model (Model 2) was significant [F(3,106)=92.25; p=.0000] with about 72 percent (R^2=.7230) of the variance in welfare effort explained. The adjusted R^2 was .7152. The independent variable—freedom (b=2.17, t=2.01, p=.047)—had a partial slope significantly affecting the model when controlling for part free and Europe. The mean welfare effort goes up by 2.17 points as one moves from not free to free countries. The integrated model (Model 3) was significant [F(5,104)=72.80; p=.0000] explaining about 78 percent (R^2=.7778) of the variance in welfare effort with the adjusted R^2 of

.7671. One socioeconomic independent variable—modernization (b=.05, t=2.26, p=.026)—had its partial slope significantly affecting the model. One percentage points increase in modernization was associated with an average welfare sub-index rise of .05 when other independent variables were held constant.

Findings suggest that both socioeconomic and political models are significant. This supports the first hypothesis that both models are significant when examined in separate models. When comparing the amount of variance explained, there is a difference of only about 6 percent between the two models—the socioeconomic model explaining about 78 percent and the political model about 72 percent of the variance in welfare effort. The results seemed to be in line with both theoretical perspectives when observed separately. The integrated model was significant as well, which confirmed the second hypothesis. However, only one variable from the socioeconomic perspective was significantly affecting the model.

One might conclude that these findings reconfirm Wilensky's (1975) argument that welfare effort would 'converge' in the course of economic development rather than ideologically develop by political variations (Castles 1978a; Heclo 1974; Gastil 1996/1997; Sirowy and Inkeles 1990). However, this chapter remains distant from simplistically taking positions favoring one particular model. Rather, I suggest some ways to improve the enterprise of comparative social policy research after revisiting the traditional approach.

2.3.   Critique of the Traditional Approach

Mabbett and Bolderson (1999) suggested that there is no agreement on the extent to which social democracy, policy maturity, economic growth or population aging affect the level of social welfare effort. Although substantive findings were gathered by comparing social welfare effort, on the whole, large-scale regression analyses could not provide any answers to resolving these theoretical debates (Mabbett and Bolderson 1999). Amenta (1993) attributes this partly to not having good empirical measures for some key theoretical concepts and therefore not adequately representing theoretical propositions. Next, particularities of the domestic contexts challenge the goodness-of-fit of the regression models when applying the common factors in cross-national analyses (Mabbett and Bolderson 1999). Lastly, there are problems with taking a uni-dimensional view of welfare effort while many different aspects configure the whole of social policy effort of nation-states.

What the chapter argues for is the need to acknowledge the past limitations of conducting comparative social policy research and to develop a new set of cross-national measures and methods to meet the changes that are occurring at the global level. As mentioned in an earlier section, first, documentation of more political variables—i.e., ideological tendencies of

ruling parties, length of a particular party in power, power of labor, etc.—could further improve model specifications using the political perspective.

Mabbett and Bolderson (1999, 42) suggested that a single coefficient and measure of significance generated for all the observations of each variable included requires an assumption that "the independent variables have the same effect on the dependent variable across countries" in cross-sectional analyses. This assumption may not be met in models that include political variables since not all governments are democratic in nature.

Perhaps the political dimension is more applicable when examining the variations among countries with democratic governments. The major reason why the political perspective had less explanation in this study seems to be because it was originally developed from studies of Scandinavian countries to investigate divergence among highly industrialized countries whose socioeconomic factors would be similar. Therefore, applying it to other parts of the world would be a threat to its validity as would be the case in this data, which were drawn from countries across a wide range of levels of economic development. Industrialized countries are unquestionably more likely to have greater economic capacity with longer history of building their economy which in turn may have necessitated the institutionalization and implementation of social policies long before less developed countries.

Supported by De Swaan (1994) and Deacon (1997), Mabbett and Bolderson (1999) introduced a new convergence theory that all market

economies are subject to competitive constraints on state welfare activity suggesting severe limits to comparative social policy analysis in today's world. This challenges the lack of a well-defined dependent variable. Welfare effort as a measure of years count since the First Law and rank ordering them using a composite welfare sub-index fails to capture the nature and the total quantity of welfare effort. While comparative studies on welfare states have primarily dealt with government social welfare programs, it is now recognized that more attention needs to be given to non-statutory provisions. A multi-dimensional analysis of welfare effort requires different methodological approaches. Cochrane and Clarke (1993) assert that the study of welfare effort comparison should be conducted within the context of changed relationship of each country to the international economy.

Conducting comparative social policy research is not a straightforward matter. It is characterized by complex methodological difficulties that limit development of broad, scientifically accurate theories. Two of the mainstream theories in comparing welfare effort cross-nationally have been examined. Then, an integrated model that included both socioeconomic and political perspectives has been examined to further investigate where previous discrepancy existed in attempts to explain welfare effort in an international context. Modernization as a proxy for socially unmet needs in the midst of the stresses of urban industrialized environment is a strong predictor of welfare effort.

Although this analysis seemed to verify the extent to which both socioeconomic and political perspectives predict welfare effort, little is said about how they complement each other. Perhaps, modernization with its political dimension (Pierson, 1991) may have taken out the effect of freedom in the integrated model. Examination of the current world trends and limitations in the past comparative social policy studies suggests that exploring modernization as a concept that encompasses all aspects of economic, social and political spheres of human need.

2.4.   Comparison of Welfare States in the Global Context

As Keohane and Milner (1996) point out, no longer can one understand politics within countries without comprehending the nature of the linkages between national economies and the world economy, and the changes in such linkages. As countries become more integrated into the world economy, state welfare effort becomes challenged when countries try to stay competitive in the world market. This calls for understanding welfare effort in the context of increased local governmental and non-governmental participation and global efforts by international organizations to promote social rights of all people.

Globalization, which is a process defined by Midgley (1997, xi) as "global integration in which diverse peoples, economies, cultures and political processes are increasingly subjected to international influences," has become

increasingly important features of modern life. Government social policies are not exceptions to being influenced by these global forces of change. Socioeconomic and political changes that a nation-state might experience in relation with other countries directly and indirectly influence today's social policies at the domestic level (Deacon 1997).

The causes of many social issues not necessarily being confined to national institutions and structures (Yeates 2005), the new global realities call for internationalizing of social problems and public policies, and universalizing of knowledge (Mohan 2003; 2005). Therefore, a cross-national comparison in this context can be an effective means for identifying key factors that explain the nation-state variations on welfare effort. Newly developed knowledge through comparative social welfare could "lay the ground stone for a better tomorrow" by exporting ideas from one part of the world to another (Aspalter 2006, 4, 14).

2.4.1. Globalization, Politics and Welfare State

This section explores a wider range of variables that reflect the dynamics of change in welfare provision due to global economic factors. I restrict the analyses to 18 affluent democracies in order to control for variations in socio-economic and political variables examined in the traditional approach. This allows for investigation of other domestic variables that could better capture how countries are internally organized to

affect welfare effort. Deeper examination of internal economic and political

variations is particularly important in an era of globalization when less

macro-socioeconomic differences would be observed beyond borders,

especially among the 18 affluent democracies.

Iversen and Cusack (2000) uses a sample of 16 Western industrialized

nations to set forth an economic analysis of welfare state expansion. Their

theorizing effort challenges the two major theoretical perspectives—that (1)

globalization weakens welfare states and (2) globalization triggers strong left-

labor power to stimulate welfare state growth. Their economic analysis

involves reexamining the risks induced by de-industrialization:

> Most of the risks being generated in modern industrialized societies
> are the product of technologically induced structural transformations
> inside national labor markets. Increasing productivity, changing
> consumption patterns, and saturated demand for products from the
> traditional sectors of the economy are the main forces of change.

These structural sources of risks are identified as the factors that stimulate

demands for state compensation and risk sharing. They conclude that the

severity of internally driven employment losses in the traditional sectors

affects the degree of transfers and government consumption.

They refer to the explanatory variable in this relationship as

deindustrialization, which is defined as "100 minus the sum of

manufacturing and agricultural employment as a percentage of the working-

age population" (Ibid, 331-32). This is a substantial departure from the

traditional convergence theory that posits industrialization measured in

terms of economic growth is directly and linearly related to upward convergence toward welfare state development. Instead, Iversen and Cusack introduces the internal sectoral shift in labor market participation as a different economic variable to explain welfare state commitment.

They also hypothesized that "partisan governments and organized interests are expected to shape social policies in order to benefit the distributive interests of their own constituencies" (Ibid, 328). Therefore, where unions are strong and centrally organized and where left government has been dominant, the welfare state is expected to assume a more redistributive form. They confirm the hypothesis with significant results using left government, electoral participation, and strength of labor added to economic variables. The path analysis results indicate that through various channels these political variables tend to mediate the relationship between deindustrialization and welfare state commitment.

The central thesis proposed by Esping-Andersen's (1990, 1, 30) historical coalitional analysis is that "the history of political class coalitions is the most decisive cause of welfare-state variations." In this sense, this model supports a direct impact of social groups on the shaping of welfare state regime types—liberal, conservative, and social democratic. For instance, in Nordic countries, a broad red-green alliance was the necessary condition for a "full-employment of welfare state in return for farm-price subsidies" (Ibid, 30). As the author sees that social classes are the main agents of change, the

balance of class power would determine distributional outcomes (Ibid, 16)

characterized by the types of welfare state regimes, which would

subsequently determine the degree of welfare state commitment.

The author identifies three independent variables that interactively

explain the extent to which welfare state commitment varies: (1) the pattern

of working-class political formation; (2) political coalition-building in the

transition from rural economy to a middle-class society; and (3) past reforms

contributing to institutionalization of class preferences and political behavior

(Ibid, 32). The class coalitions, which Esping-Andersen (Ibid, 33) points to

having affected the foundation of three welfare state regime types, "explain

not only their past evolution but also their future prospects for welfare

commitment." He supports his propositions with historical accounts of class

coalition to generate political behaviors that contributed to the development

of varying types of welfare states.

Notermans's (1993, 136) institutional analysis brings to light that "the

demise of full-employment policies reflects the institutional inability of

present-day market economies to contain inflationary pressures." The

independent variable examined is the institutional ability to contain

inflation, which causally influences welfare state commitment. Using the

cases of Norway and Sweden, Notermans (1993, 153) asked why even in

Social Democratic countries, a switch was made to a restrictive

macroeconomic regime, which sacrificed growth and employment in an effort to reduce inflation.

The author is convinced that "the historical task Social Democracy performed in the thirties was not to establish full employment as the first priority of economic policies but to halt a disruptive deflation" (Ibid, 156). And, therefore, this institutional arrangement would not have survived much longer if both Norway and Sweden had not found an effective way of keeping inflation in check during the fifties and sixties. In fact, Labor is essentially excluded from macroeconomic policy-making in a regime, which gives preference to external balance (Ibid, 134). Also, there is a mention of weaker links between the trade unions and the conservative governments of the first half of the 1980s in Norway, which might have partly played a role in shying away from incomes policies (Ibid, 149).

2.4.2. Analysis and Findings

Eighteen affluent democracies are examined comparatively using Scruggs's (2005) Comparative Welfare Entitlements Dataset. These countries include: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, Norway, Norway, Sweden, Switzerland, the United Kingdom, and the United States. This data set provides systematic data on institutional features of social insurance programs spanning much of the post-war period. The welfare generosity

variable was extracted for each country for three time points—1980, 1990, and 2000.

Merged with this data set was the Comparative Welfare States (Huber et al. 2004), which provided variables for cumulative left party dominance for the three time periods. KOF Index of Globalization[2] was also included in the analysis (Dreher 2006; Dreher, Gaston and Martens 2008). This composite index includes *economic globalization* (characterized as long distance flows of goods, capital and services as well as information and perceptions that accompany market exchanges); *political globalization* (characterized by a diffusion of government policies); and *social globalization* (expressed as the spread of ideas, information, images and people). In order to explore the effect of internal economic condition, the percentage of service sector civilian workers was extracted from the OECD statistical data and included to reflect de-industrialization.

Figure 2.1: Average Welfare Generosity over Time

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[2] The KOF Index of Globalization was introduced in 2002 (Dreher 2006) and is updated and described in detail in Dreher, Gaston and Martens (2008). Following Clark (2000), Norris (2000) and Keohane and Nye (2000), it defines globalization to be the process of creating networks of connections among actors at multi-continental distances, mediated through a variety of flows including people, information and ideas, capital and goods. Globalization is conceptualized as a process that erodes national boundaries, integrates national economies, cultures, technologies and governance and produces complex relations of mutual interdependence.
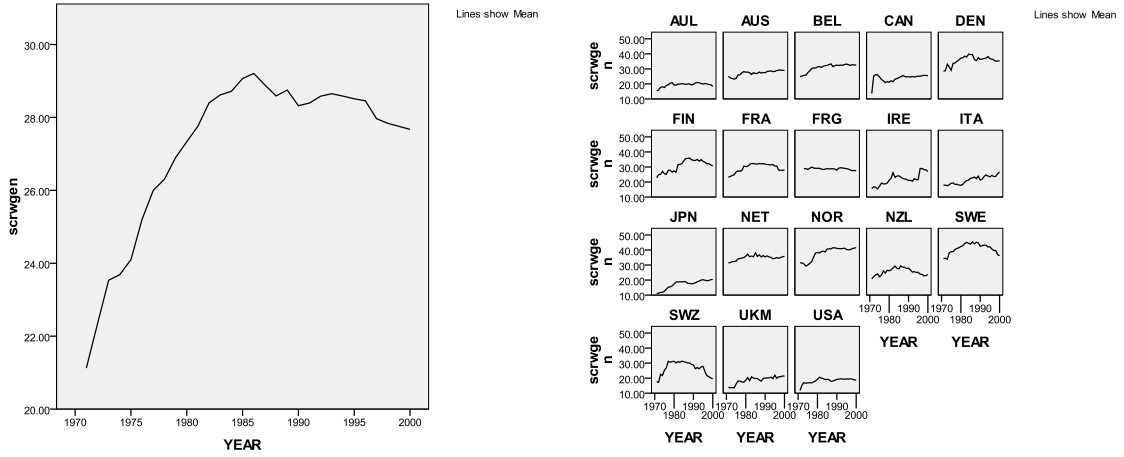
Figure 2.1 shows welfare generosity increasing on average until about the mid-1980s. Then, the trend gradually decreases. Welfare generosity is particularly low and stagnant in Australia, the United Kingdom, and the United States.

Figure 2.2: Average Globalization over Time
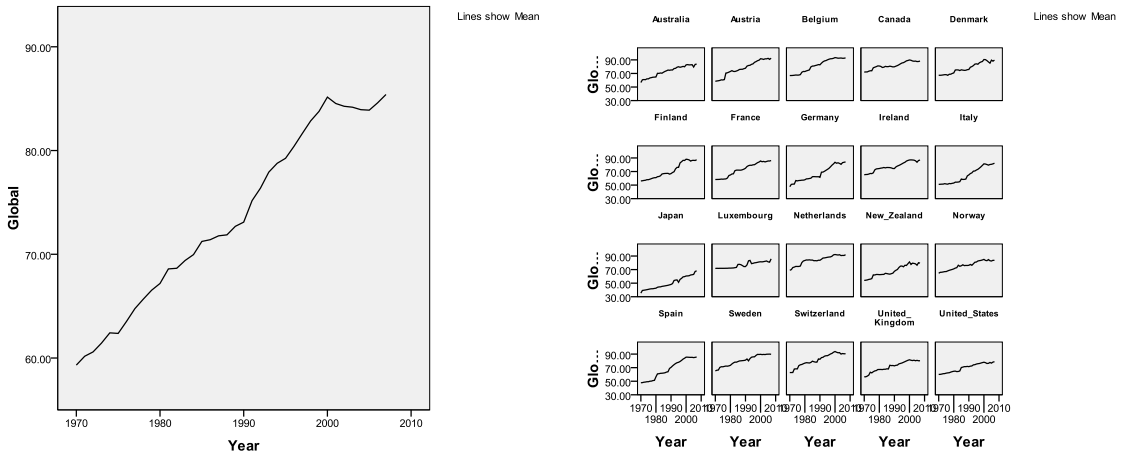
Figure 2.2 shows average globalization score increasing over time and this trend is quite consistent among all countries observed although there are variations on the rate of change.

Figure 2.3: Average Cumulative Left Party Dominance over Time
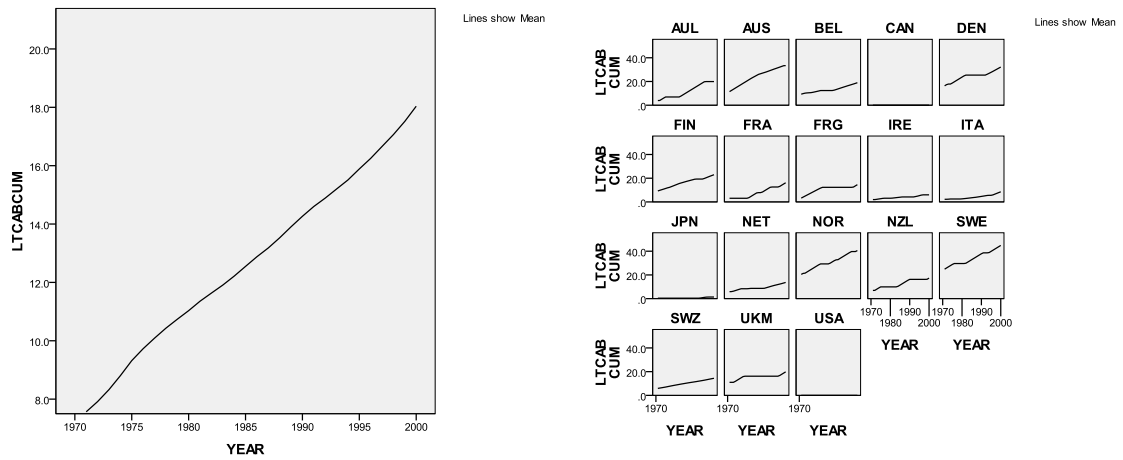
Figure 2.3 describes the change over time on the average cumulative left party power. While most countries display an increasing trend in left party power, Canada, Japan, and the United States have no left party activity at all.

Figure 2.4: Average Percentage of Service Sector Workforce over Time
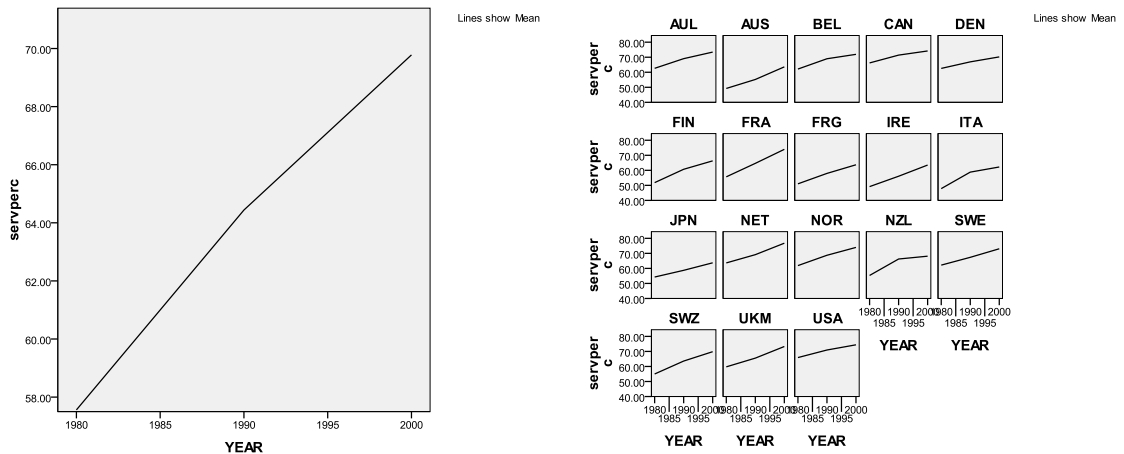
Figure 2.4 depicts the increasing trend of the average percentage of civilian workforce working in the service sector over time. The overall change

between 1970 and 2000 is nearly 20 percentage points, a huge change in the makeup of the economy in industrialized nations. Most of these affluent democracies seem to be undergoing de-industrialization.

Table 2.3 lists the country-level data for four variables in consideration at three time points: 1980, 1990, and 2000. For each year, a series of bivariate regression analyses are conducted considering the small sample size. Left party power and service workforce are regressed on each other and on globalization. Then, welfare generosity is regressed on globalization, left party power, and service workforce.

Table 2.3: Description of Globalization, Left Party Power, Service Workforce, and Welfare Generosity

Countries	1980				1990				2000			
	Globaliza-tion	Left party power	Service %	Welfare generosity	Globaliza-tion	Left party power	Service %	Welfare generosity	Globaliza-tion	Left party power	Service %	Welfare generosity
Australia	64.77	6.94	62.62	19.30	75.16	14.77	69.04	19.80	82.64	19.94	73.41	18.40
Austria	72.97	20.45	49.22	27.80	77.73	28.06	55.19	27.40	91.70	33.38	63.58	28.93
Belgium	72.80	11.98	62.13	31.30	82.72	13.74	68.97	32.50	93.38	18.98	71.91	32.61
Canada	80.97	0.00	66.19	21.20	79.79	0.00	71.41	24.80	89.88	0.00	74.16	25.45
Denmark	70.76	23.72	62.55	37.20	75.86	25.39	66.91	36.30	90.52	32.18	70.21	35.44
Finland	60.94	14.20	51.81	27.40	66.94	19.14	60.69	34.40	88.15	22.93	66.30	30.72
France	64.91	3.09	55.67	30.30	74.83	10.34	64.63	31.90	85.55	16.17	73.96	27.96
Germany	57.80	10.89	51.01	29.10	61.43	12.31	57.95	27.90	83.61	0.00	63.69	27.51
Ireland	74.41	3.12	49.17	21.20	74.40	4.20	56.08	21.00	87.01	5.98	63.51	26.93
Italy	53.00	2.60	47.83	17.80	65.02	4.66	58.80	21.30	81.31	8.56	62.22	26.73
Japan	42.57	0.40	54.24	17.40	48.12	0.40	58.71	17.70	60.56	1.37	63.71	20.39
Netherlands	83.43	8.36	63.64	35.90	83.72	9.22	69.13	35.40	92.23	13.66	76.75	35.77
New Zealand	62.55	9.92	55.30	26.20	67.42	16.25	66.25	27.90	81.27	17.33	68.12	23.70
Norway	71.03	28.50	61.87	38.40	76.31	32.88	68.72	41.10	85.05	40.54	73.95	41.56
Sweden	73.44	29.61	62.17	42.30	81.07	37.86	67.36	42.50	89.68	44.86	73.05	36.16
Switzerland	76.71	8.62	54.99	31.20	82.39	11.40	63.59	28.70	93.81	14.40	69.83	19.58
UK	67.30	16.16	59.74	18.70	72.66	16.16	65.55	20.00	81.61	19.83	73.28	21.37
US	64.70	0.00	65.92	19.30	71.48	0.00	70.94	19.20	78.03	0.00	74.40	18.78

Table 2.4: Bivariate Regression Analyses

Independent variables	1980		1990		2000	
	$\hat{\beta}$ (se($\hat{\beta}$))	Sig.	$\hat{\beta}$ (se($\hat{\beta}$))	Sig.	$\hat{\beta}$ (se($\hat{\beta}$))	Sig.
	Left party power		Left party power		Left party power	
Globalization	.26 (.23)		.40 (.29)		.73 (.40)	*
Service workforce	.20 (.38)		.11 (.53)		.64 (.70)	
	Service workforce		Service workforce		Service workforce	
Globalization	.28 (.14)	*	.29 (.13)	**	.18 (.15)	
Left party power	.08 (.16)		.03 (.12)		.08 (.09)	
	Welfare generosity		Welfare generosity		Welfare generosity	
Globalization	.38 (.17)	**	.39 (.19)	*	.41 (.19)	**
Left party power	.61 (.14)	***	.51 (.12)	***	.31 (.10)	***
Service workforce	.32 (.31)		.40 (.35)		.25 (.35)	

 * indicates p<.10, ** indicates p<.05, and *** indicates p<.01.

The results reported in Table 2.4 indicate that significant positive relationships exist between globalization and welfare generosity and left party power and welfare generosity, consistently in 1980, 1990, and 2000. The signs of significant regression coefficients did not support the hypothesized direction for globalization. It followed the contention of a small group of scholars who argue that globalization positively affects welfare generosity due to the increased need for social protection (Garrett 1998; Kittel and Winner 2005).

The signs of significant regression coefficients consistently supported the hypothesized direction for left party power. The efficiency argument mentioned in Chapter 1—that globalization reduces political power and economic autonomy thereby causing welfare state retrenchment (Blackmon, 2006; Stiglitz 2006)—was not supported by these findings. Rather, left party power displayed consistently strong positive relationships throughout. The

greater the left party power, the more generous welfares states are. Interestingly, globalization had a significant positive effect on left party power in 2000 while no relationship was found prior to this time point.

Although tentative, this may confirm Kim's (2009) findings on curvilinear relationship between globalization and welfare state generosity. Welfare states with stronger left party power are more likely to hold on to the social welfare ideals, particularly in recent years of heightened globalization. While the de-industrialization argument (Iversen and Cusack 2000) pointed to including service workforce as an internal economic structure variable, it did not significantly affect welfare generosity. Globalization had significant effects on service workforce in 1980 and 1990, but no relationship was found in 2000.

Chapter 3. Global Perspective II: Welfare States and Poverty

This chapter investigates the effects of globalization, politics, and social welfare commitment on poverty at the aggregate level. Various measures of poverty and their relationship with key structural global and domestic variables are examined. The underlying assumption is that poverty is a form of social exclusion based on its 'structural and multidimensional nature of processes by which individuals or specific areas are actually excluded' from activities that are an intrinsic part of socio-economic integration (Bhalla and Lapeyre 2004, 15).

The series of data analyses in this chapter is based on compilation of key variables from two major data sets—the OECD data set and the Luxembourg Income Study (LIS). The OECD Statistics Portal allows researchers, government officials, and other interested users to extract key cross-national indicators of OECD member countries. Particularly, this chapter used poverty rate, poverty gap, Gini coefficient, public social expenditure, labor market policy expenditure, unemployment rate, and union density around year 2000 for comparison with the point of Wave V in LIS data.

The LIS is a cross-national and historically harmonized data archive and a Research Institute located in Luxembourg. The LIS archive contains nationally representative individual-level data sets with some key

standardized variables (Rainwater and Smeeding 2004). It is made up of two

primary databases. The LIS database includes income microdata from a

large number of countries at multiple points in time. The newer LWS

Database includes wealth microdata from a smaller selection of countries.

Both databases include labor market and demographic data as well.

Microdata is accessed for social scientific research using a remote-access

system.

3.1.   Poverty in the Global Context

The conventional measures of poverty include the head count ratio and

the mean poverty gap (Rodgers and Rodgers 1991, 342). First, the relative

headcount measure of poverty is considered typical in cross-national poverty

research (Brady 2003; 2005; 2006; 2009a; DeFina and Thanawala 2001;

Hagenaars 1991; Jantti and Danziger 2000; Moller et al. 2003; Osberg and

Xu 2000; Rainwater and Smeeding 2004; Sen 1999; Smeeding et al. 2001).

Individuals are considered poor if the household in which he or she belongs

has total income below 50% of the overall median household income. The

headcount poverty is often translated into poverty rates (denoted by H) for

the entire country and for some specific groups within countries. The

headcount poverty rate is expressed by $H = m/n$, where n is the size of the

population, m is the number of poor.

Second, poverty gap is a concept that measures the distance between the relative poverty line and the overall mean household income. Pre-transfer poverty gap has been growing over time and it would mean that government transfers would have to be more generous to fill the poverty gap, bringing families up to the poverty line (Ziliak 2008). The poverty gap (denoted by G) is expressed as $G = z - \mu_p$, where z is the poverty threshold and μ_p is the mean income of the poor. A severe limitation of G is that "it is not independent of the units in which income is measured" (Rodgers and Rodgers 1991: 342). Therefore, I employ a more comparable measure of poverty gap rate (GR) which by dividing G by z, better represents the depth of poverty. This is expressed as $GR = \dfrac{z - \mu_p}{z}$. GR will be referred to as poverty gap hereon forth.

Figure 3.1: Comparison of Pre/Post-Transfer Poverty Rates
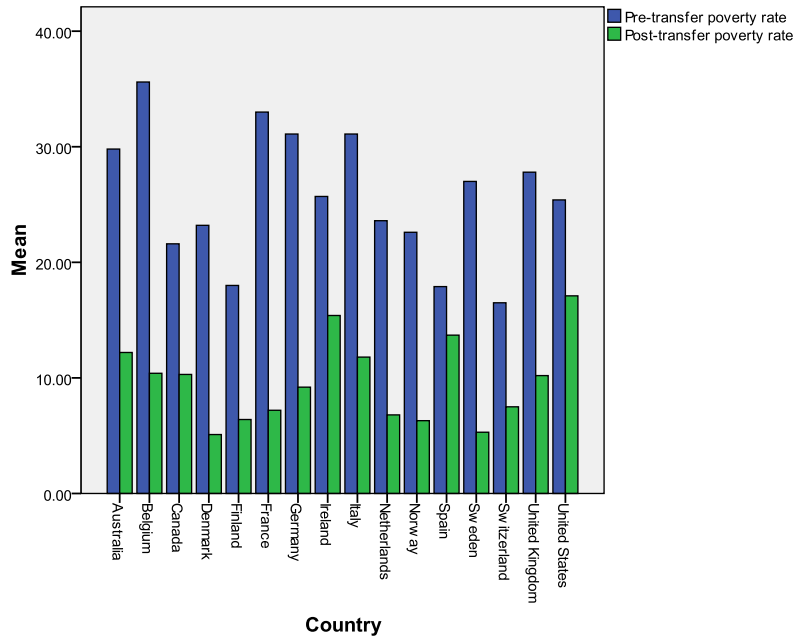
Figure 3.1 illustrates the stark differences between the pre-transfer

(before taxes and government transfers) and post-transfer (after taxes and

government transfers) headcount poverty rates in 2000. Belgium had the

highest market income poverty at 35.60% compared to other advanced

democracies (mean=25.62%), but its post-transfer poverty drops significantly

to 10.40%. The United States on the other hand had pre-transfer poverty

rate close to the overall average (25.40%) but ends up with the highest post-

transfer poverty rate (17.10%). The average post-transfer poverty rate is

9.68%.

Figure 3.2: Comparison of Pre/Post-Transfer Poverty Gap
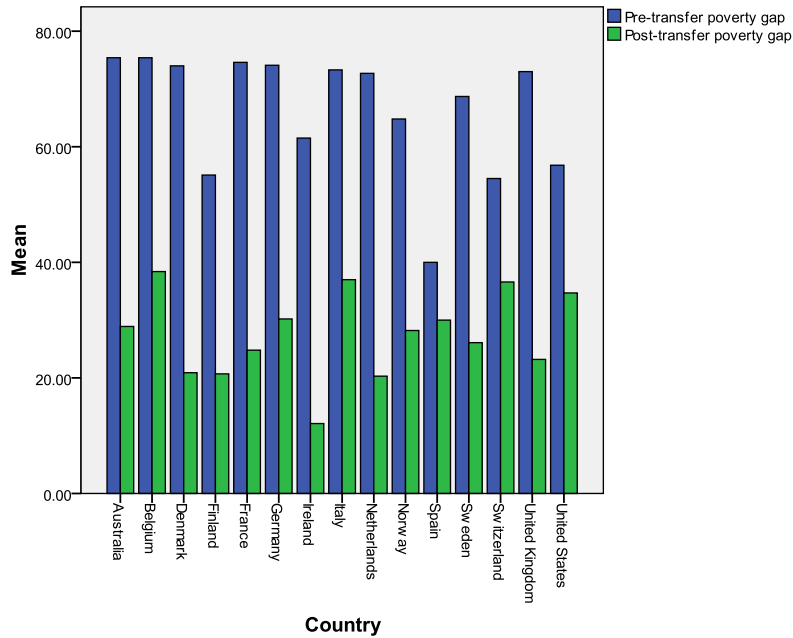
Figure 3.2 shows the change in poverty gap before and after taxes and government transfers in 2000. One can observe an overall trend of high pre-transfer poverty gaps in most of the affluent democracies. Belgium and Australia had the highest pre-transfer poverty gap at 75.40% below the poverty line and Spain had the lowest at 40.00%. The United States had the pre-transfer poverty gap of 56.80% which is lower than the overall average of 66.26%. Despite its relatively low pre-transfer poverty gap, its post-transfer poverty gap is among the highest at 34.70%. The overall mean poverty gap is 26.88% with Ireland having the lowest score of 15.40%.

Figure 3.3: Percentage Change in Poverty Rate and Poverty Gap
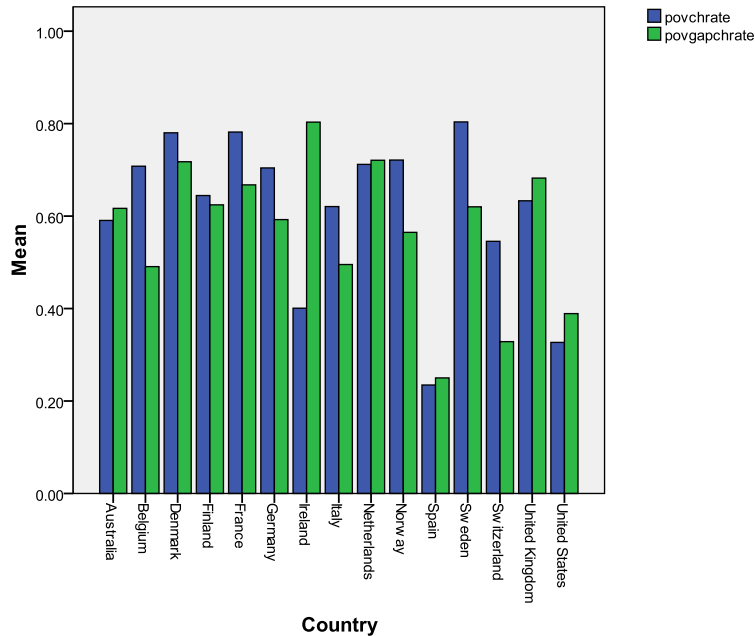
Figure 3.3 summarizes the extent to which both poverty rate and

poverty gap have decreased after taxes and government transfers in 2000.

The bars indicate the magnitude of percentage change, which reflects the

degree to which government social policy intervention has been effective. The

average percentage reduction in poverty rate is 60.81% and that of poverty

gap is 57.09%. Most countries either keep their effectiveness about the same

between poverty rate and poverty gap or do slightly better with poverty rate.

Belgium, Norway, Sweden, and Switzerland had much higher percentage

change rates for poverty rate.

Ireland, Spain, the United Kingdom, and the United States have been

more effective in terms of reducing poverty gap than poverty rate. Among

them, Ireland has a disproportionately higher percentage change rate for

poverty gap than poverty rate. The United States is second only to Spain for

less effective government social policies in terms of reducing both poverty

rate and poverty gap. Figure 3.4 depicts the poverty rates among working-

age adults in 17 affluent democracies from the LIS data. The highest poverty

rate of 17% found in the United States further confirms its lack of social

welfare commitment to reducing poverty.

Figure 3.4: LIS Poverty Rates for Working-Age Adults 18-65
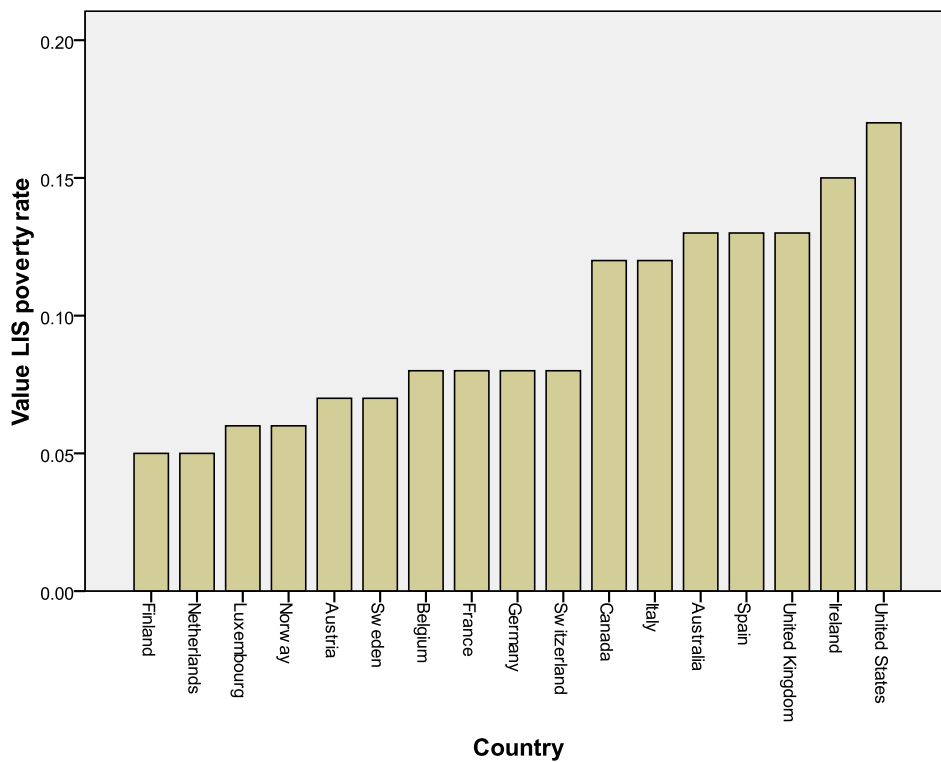
Many studies have investigated comparative levels of inequality

among nations and the growing trend of inequality in the United States since

the beginning of the 1970s (Smeeding 2005). Often used by economists in

studies of inequality, the Gini coefficient ranges from 0 (perfect equality of

income distribution) and 1 (perfect inequality of income distribution). A Gini

score of 1 would indicate one person getting 100% of the total income and 0

would indicate every person getting the same percentage of the total income. Therefore, if country A has a higher score between the range of 0 and 1 compared to country B, it would mean that country A would have a more unequal distribution of income. In table 3.1, the United Kingdom and the United States have the highest Gini coefficients and Denmark and Sweden have lowest.

Table 3.1: Country-level characteristics from OECD (around year 2000)

Welfare state regimes	Countries	Poverty		Poverty gap		Gini coefficient	WSI	Public social expenditure		
		Pre-transfer	Post-transfer	Pre-transfer	Post-transfer			Total	Cash benefits	In-kind benefits
Social democratic	Denmark (2000)	23.20	5.10	74.00	20.90	0.23	1.43	25.81	13.17	10.62
	Finland (2000)	18.00	6.40	55.10	20.70	0.26	0.36	24.31	14.95	8.48
	Norway (2000)	22.60	6.30	64.80	28.20	0.26	0.16	21.31	11.16	9.54
	Sweden (2000)	27.00	5.30	68.70	26.10	0.24	1.37	28.54	14.23	12.55
Conservative	Austria (2000)		9.30		30.00	0.25	0.55	26.37	18.08	7.77
	Belgium (2000)	35.60	10.40	75.40	38.40	0.29	0.39	25.28	15.54	8.66
	France (2000)	33.00	7.20	74.60	24.80	0.28	0.79	27.86	16.60	10.07
	Germany (2000)	31.10	9.20	74.10	30.20	0.27	0.67	26.18	15.55	9.45
	Luxembourg (2000)		5.50		17.30	0.26	0.06	19.75	13.20	6.36
	Netherlands (1999)	23.60	6.80	72.70	20.30	0.28	-0.36	19.79	11.21	7.07
	Switzerland (2000)	16.50	7.50	54.50	36.60	0.28	-0.72	17.88	10.76	6.57
Liberal	Australia (2001)	29.80	12.20	75.40	28.90	0.32	-1.13	17.84	9.32	8.15
	Canada (2000)	21.60	10.30		24.40	0.30	-0.47	16.50	6.97	9.15
	Ireland (2000)	25.70	15.40	61.50	12.10	0.30	-1.42	13.59	7.02	5.62
	UK (1999)	27.80	10.20	73.00	23.20	0.37	-0.11	19.19	9.85	9.00
	US (2000)	25.40	17.10	56.80	34.70	0.36	-1.53	14.50	7.64	6.71
Southern European	Italy (2000)	31.10	11.80	73.30	37.00	0.34	0.30	23.26	16.07	6.63
	Spain (2000)	17.90	13.70	40.00	30.00	0.34	-0.36	20.31	13.21	6.43

Table 3.2: Country-level characteristics from OECD (around year 2000)

Welfare state regimes	Countries	Labor market policy expenditure			Unemploy-ment rate	Union density	Low-income seat	Left party	Public health expenditure	Public educational expenditure
		Total	Active LMP	Passive LMP						
Social democratic	Denmark (2000)	4.27	1.89	2.38	4.30	74.20	33.00	25.39	8.30	8.30
	Finland (2000)	2.97	0.89	2.08	9.80	75.00	37.00	22.93	7.20	6.00
	Norway (2000)	1.11	0.61	0.50	3.20	54.40	38.00	40.54	8.40	5.90
	Sweden (2000)	3.09	1.75	1.34	5.60	79.10	40.00	44.86	8.20	7.20
Conservative	Austria (2000)	1.69	0.52	1.17	3.60	36.50	33.00	33.38	9.90	5.60
	Belgium (2000)	3.34	1.22	2.11	6.90	49.30	33.00	18.98	8.60	5.90
	France (2000)	2.57	1.19	1.38	9.00	8.30	47.00	16.17	10.10	6.00
	Germany (2000)	3.12	1.23	1.89	7.50	24.60	33.00	14.56	10.30	4.40
	Luxembourg (2000)	-	-	0.43	2.20	43.10	35.00	15.68	5.80	
	Netherlands (1999)	3.23	1.47	1.75	2.80	22.60	33.00	13.20	8.00	5.00
	Switzerland (2000)	1.10	0.56	0.54	2.60	20.80	37.00	14.40	10.20	5.40
Liberal	Australia (2001)	1.25	0.37	0.88	6.30	24.70	34.00	18.77	8.30	4.70
	Canada (2000)	1.10	0.40	0.70	6.80	30.40	16.00	0.00	8.80	5.10
	Ireland (2000)	1.61	0.81	0.80	4.40	39.30	36.00	5.98	6.30	4.30
	UK (1999)	0.56	0.25	0.31	5.40	29.60	7.00	18.83	7.00	4.30
	US (2000)	0.45	0.17	0.28	4.00	12.80	5.00	0.00	13.60	4.90
Southern European	Italy (2000)	-	-	0.62	10.20	34.70	35.00	8.56	8.10	4.50
	Spain (2000)	2.14	0.79	1.35	11.10	16.70	35.00	13.50	7.20	4.30

Table 3.3: Descriptive statistics for LIS working age adults (18-65)

Welfare state regimes	Countries	N	LIS Poverty	Age	Female	# of children under 18	# of earners	Working	High education	Medium education
Social democratic	Finland (2000)	6,952	.05	42.32	.48	.94	1.60	.81	.35	.41
	Norway (2000)	8,036	.06	40.84	.48	.99	1.72	.78	.27	.59
	Sweden (2000)	8,304	.07	41.63	.50	.93	1.53	.81	.23	.56
Conservative	Austria (2000)	1,397	.07	42.25	.50	.88	1.52	.67	.07	.70
	Belgium (2000)	1,260	.08	40.61	.51	.99	1.31	.73	.36	.33
	France (2000)	6,255	.08	40.18	.51	1.01	1.37	.70	.27	.41
	Germany (2000)	6,980	.08	40.78	.50	.74	1.36	.74	.21	.50
	Luxembourg (2000)	1,422	.06	47.36	.51	1.15	1.48	.47	.19	.36
	Netherlands (1999)	2,686	.05	40.42	.51	.99	1.43	.75	.25	.44
	Switzerland (2000)	2,280	.08	40.52	.51	.90	-	.79	.22	.66
Liberal	Australia (2001)	5,216	.13	40.40	.51	1.06	1.50	.72	-	-
	Canada (2000)	17,817	.12	40.29	.51	.98	1.76	.75	-	-
	Ireland (2000)	1,392	.15	39.87	.51	1.47	1.66	.69	.20	.29
	UK (1999)	14,280	.13	41.39	.52	.99	1.39	.70	-	-
	US (2000)	28,469	.17	41.15	.52	1.20	1.70	.74	.34	.52
Southern European	Italy (2000)	5,134	.12	41.98	.51	.71	1.28	-	.11	.42
	Spain (2000)	2,958	.13	38.52	.51	.78	1.53	.59	.13	.27
All countries		120,838	.13	41.04	.51	1.02	1.51	.73	.27	.49

A correlation matrix of all poverty and income distribution measures is observed. Several findings stand out. Percentage change in poverty rate and that of poverty gap are significantly correlated (r=.545, p<.05). The LIS poverty rate is significantly associated with Gini coefficient (r=.838, p<.001), post-transfer poverty rate (r=.921, p<.001), and percentage change in poverty rate (r=-.753, p=.001). Post-transfer poverty rate is also significantly associated with inequality (r=.781, p<.001) and reduction of poverty rate (r=-.832, p<.001).

Countries with most effective social policies in terms of reducing the poverty rate tend to be also effective when it comes to reducing the poverty gap. As unequal distribution of income increases, the poverty rate increases. The greater the reduction in poverty rate, the lower the LIS poverty rate. Using these measures of poverty, the following sections examine how globalization, politics, social welfare commitment contribute to poverty and income distribution at the aggregate levels among 17 affluent democracies.

3.2.   Effects of Globalization and Politics on Poverty

In Chapter 2, globalization and politics were found to be independently affecting welfare state generosity. Furthermore, globalization had an effect on left party power, suggesting a possible mediating effect of politics between globalization and welfare state generosity. This section examines the direct effects of globalization and politics on poverty. Literature on globalization is

not conclusive about this relationship. Some argue that globalization contributes to higher income inequality as increased capital mobility and economic interdependence undermines domestic economies from rewarding individuals equitably (Hurrell and Woods 1995; Reich 1992; Tonelson 2000). Others who support global liberalism assert that it is a powerful engine of economic growth, benefiting all income groups (Burtless, Lawrence, Litan, and Shapiro 1998; Lawrence 1996).

The former scholars argue that with lack of economic resources, the low-income populations are at higher risks of experiencing poverty under "increasingly ruthless and unforgiving international competition that has seriously jeopardized their wages, benefits, and job security" (Mahler 2004, 1027). The latter group of scholars contrarily point to globalization's stimulus effects on lowering of prices by international competition, making it advantageous to low-income groups, and to promote domestic flexibility in class mobility leading to less inequality.

Mahler (2004) explored the effects of three major modes of international integration—trade, direct foreign investment, and financial openness—on income distribution and redistribution. He found a borderline significant effect examining the relationship between one of the international integration variables—financial openness—and earnings inequality.

The analyses conducted in this section similarly found no relationship between globalization and various dimensions of poverty (see Table 3.4).

Unlike what many scholars have maintained, globalization does not directly

add to the higher risk of poverty. However, it does directly affect welfare

state generosity and politics in 2000, as found in Chapter 2, and politics

directly affects welfare state generosity. This would mean that politics plays

a major role as a buffer for maintaining social protection against

vulnerability in the global market.

Table 3.4: Effects of Globalization on Poverty

Independent variables	$\hat{\beta}$ (se($\hat{\beta}$)) Sig.	$\hat{\beta}$ (se($\hat{\beta}$)) Sig.	$\hat{\beta}$ (se($\hat{\beta}$)) Sig.
	Pre-transfer poverty rate	Post-transfer poverty rate	LIS poverty
Globalization	-.26 (.30)	-.03 (.29)	.00 (.001)
	Pre-transfer poverty gap	Post-transfer poverty gap	Inequality
Globalization	.07 (.60)	.19 (.23)	-.001 (.001)

 * indicates p<.10, ** indicates p<.05, and *** indicates p<.01.

Mahler (2004) found reasonably strong positive relationships between

several political variables—the partisan balance of national cabinets,

electoral turnout, union density, and the centralization of wage-setting

institutions—and an egalitarian income distribution and redistribution. He

argues that these findings confirm a growing number of studies emphasizing

the resilience of domestic political factors despite the challenges of economic

globalization.

Using eight different measures of left political institutions—(1) voter

turnout, (2) cumulative historical power of left parties, (3) percent of votes for

left parties, (4) the percent of seats for left parties, (5) wage coordination, (6)

neocorporatism, (7) gross union density, and (8) employed union density—

Brady (2003) found that these political factors combine with and partially

channel through welfare state generosity to reduce poverty. The strength of

left political institutions consistently demonstrates a powerful negative

impact on poverty.

The analyses conducted in this section reveal that political institutions

have significant effects on post-transfer poverty rate, LIS poverty, and

income inequality (see Table 3.5). Politics plays a minor role in terms of

explaining pre-transfer poverty, both for poverty rate and poverty gap. And

it does little in terms of explaining the variance in post-transfer poverty gap.

As union density goes up, poverty rate and inequality goes down. As the

number of electoral seats from poor districts increase, poverty rate and

inequality decreases. Also, cumulative left party power negatively affects

poverty rate and inequality.

Table 3.5: Effects of Politics on Poverty

Independent variables	$\hat{\beta}$ (se($\hat{\beta}$)) Sig.	$\hat{\beta}$ (se($\hat{\beta}$)) Sig.	$\hat{\beta}$ (se($\hat{\beta}$)) Sig.
	Pre-transfer poverty rate	Post-transfer poverty rate	LIS poverty
Union density	-.03 (.07)	-.09 (.04) **	-.001 (.001) *
Low-income seat	.02 (.13)	-.16 (.07) **	-.002 (.001) **
Left party power	-.001 (.12)	-.18 (.06) ***	-.002 (.001) **
	Pre-transfer poverty gap	Post-transfer poverty gap	Inequality
Union density	.05 (.12)	-.09 (.08)	-.001 (.001) ***
Low-income seat	.05 (.26)	-.06 (.16)	-.002 (.001) ***
Left party power	.16 (.25)	-.01 (.15)	-.002 (.001) ***

 * indicates p<.10, ** indicates p<.05, and *** indicates p<.01.

3.3.   Effect of Welfare State Commitment on Poverty

Esping-Andersen (1990), Iversen and Cusack (2000), and Notermans (1993) challenge Wilensky's traditionally held linear paradigm, , whereby economic performance or industrialization captured by GNP per capita determines welfare state 'spending' cross-nationally. These authors have taken diverse steps to conceptualize and measure welfare state commitment and have modified the traditional measure of social welfare—namely spending on social programs—which has dominated the field of comparative welfare state over the years.

Esping-Andersen (1990, 12) introduces a common textbook definition of welfare state that constitutes, "state responsibility for securing some basic modicum of welfare for its citizens." This somewhat vague definition opened the doors for diverse approaches to conceptualize and operationalize welfare state activities. Most prevalent among them has been the traditional mode of attributing social expenditure to a state's commitment to welfare. Esping-Andersen challenges this by asserting, "not all social spending counts equally" (Ibid, 19), for some would spend more on targeted social assistance for the poor and others on tax privileges for the middle class and full employment for all. He also takes a firm stance against a mere transformation of state activities towards acceptance of standard social programs to be regarded as a state's commitment to welfare state.

Esping-Andersen's conceptualization of welfare state is best captured by commitment to social citizenship and solidarity. He cites Titmuss's work on residual and institutional welfare distinction for having contributed to incorporating some essential tools for characterization of welfare states. The content of these tools include: "targeted versus universalistic programs, the conditions of eligibility, the quality of benefits and services and … the extent to which employment and working life are encompassed in the state's extension of citizen rights" (Ibid, 20).

In essence, Esping-Andersen's conceptualization of welfare state commitment rests on the degree to which a state is granting social rights. His work offers a strong emphasis on the concept of social right as the guiding principle for which all welfare states should follow. The following is what he considers as key elements of social citizenship:

> If social rights are given the legal and practical status of
> property rights, if they are inviolable, and if they are granted
> on the basis of citizenship rather than performance, they will
> entail a *de-commodification* of the status of individuals vis-à-vis
> the market. But the concept of social citizenship also involves
> *social stratification*: one's status as a citizen will compete with,
> or even replace, one's class position (Ibid, 21).

In this sense, both de-commodification and social stratification are used as proxy variables for a state's commitment to social rights, which are used as measures to characterize the typology of welfare states into three categories: (1) liberal; (2) conservative; and (3) social democratic. Higher scores on the composite index would indicate higher levels of de-

commodification, corresponding to the three types of welfare state regimes:

(1) high de-commodification (=social democratic); (2) low de-commodification

(=liberal); and (3) moderate de-commodification (=conservative). He finds in

his study of 18 industrial democracies that combined de-commodification

scores cluster around three groups of high, low, and moderate de-

commodification.

De-commodification is a concept that captures the degree to which "a

service is rendered as a matter of right, and when a person can maintain a

livelihood without reliance on the market" (Ibid, 22). Or one can simply put

it as capturing "the degree of market-independence for an average worker"

(Ibid, 50). The author uses combined scores of de-commodification by three

social welfare programs—pensions, sickness, and unemployment cash

benefits—which summarize a list of variables[3] that illustrate "the ease with

which an average person can opt out of the market" (Ibid, 49).

In other words, de-commodification accounts for social rights by being

operationalized as the degree of generosity in benefits and restrictions among

core social welfare programs. Social stratification is the second concept of

interest to Esping-Andersen for measuring welfare state commitment. He

contends that welfare states not only intervene in the structure of inequality,

but also is "an active force in the ordering of social relations" by providing a

system of stratification (Ibid, 23).

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[3] (1) The prohibitiveness of conditions for eligibility, such as work experience, contributions, or means-tests; (2) the strength of in-built disincentives (such as waiting days for cash benefits); and (3) the degree to which benefits approximate normal expected earnings-levels.

Social democratic regimes (e.g., Denmark, Finland, Norway, and Sweden) provide comprehensive social provisions and universal coverage. Liberal regimes (e.g., Australia, Canada, Ireland, the United Kingdom, and the United States) prefer market solutions and only provide minimal social transfers to the most needy. Conservative regimes (e.g., Austria, Belgium, France, Germany, Luxembourg, the Netherlands, and Switzerland) have social programs that sustain status differences by providing different benefits to different occupational groups (Leira 2002). Mediterranean countries (e.g., Italy, and Spain) are separately grouped as Southern European based on their dualistic schemes, institutional fragmentation, universal health care, a mix of public and private welfare, and particularism and clientelism (Tai and Treas 2008).

In contrast to Esping-Andersen, Iversen and Cusack (2000) and Notermans (1993) do not engage in much theoretical discussions on what constitutes a welfare state. Iversen and Cusack implicitly assume that the welfare state is a response to demands for social insurance and compensation to meet economic insecurity encountered by its citizens. Here, they review three distinct ways in which governments have responded to such demands: (1) promoting employment in private services and supported by public insurance schemes; (2) maintaining extensive regulation in private services while expanding employment in public services; and (3) regulating private sector service employment without allowing growth in the public sector (Ibid,

314-16). They try to explain these variations by estimating welfare state commitment measured in terms of the two main components of welfare-state spending—transfers and government consumption.

Iversen and Cusack incorporate somewhat modified social spending variables as proxies for welfare state commitment as compared to the ones used in the traditional comparative research. Replicating Garrett's usage of these two variables as dependent variables capturing welfare state commitment, they made some refinements to the variables in order to more accurately take into account nondiscretionary effects in transfers and consumption measures.

They define *government transfers* as "the percentage share of transfers in GDP relative to the percentage share of the nonworking population in the total population" and *government consumption* as "total government consumption of goods and services net of military spending as a percentage of GDP" (Ibid, 348). While these are much improved social spending variables, they suffer the same criticism of government spending not capturing the ideological dimensions of welfare state commitment. In this regard, their composite economic index of social spending could not account for the quality, the composition, or the magnitude of spending by various categories of social policies.

Notermans (1993) to some degree implicitly endorses the idea of promoting equality and full employment as a social right that underlies

welfare state commitment. When the economic conditions on which Social

Democracy and Keynesian strategy is based does not operate in favor of its

sustenance, the argument for social rights as welfare state commitment could

not hold. The ideal welfare state according to Notermans (1993, 134) is a

policy regime, "which found its roots in the thirties and which gave

preference to growth and employment over fixed exchange rates." The

welfare state commitment varies with the state of existence (when full

employment policy acquires a priority status) at the one end and non-

existence (when inflationary policy becomes dominant at the expense of full

employment policy) at the other end.

Scruggs and Allan (2006) operationalize welfare state generosity based

on three main areas of social insurance programs: pensions, unemployment

insurance, and sickness benefits. These programs protect workers against

the risk of old age, unemployment, and illness. They calculate the net

program replacement rates and create an aggregate generosity score using a

modified approach from the one used by Esping-Andersen (1990). After

adjustment (adding 2 to the scores ranging from -2 to 2) to the standardized

replacement rate, the replacement rate ranges from 0 to 4. Also, countries

are coded 1 to 3 based on the distribution of the scores on other

characteristics—e.g., waiting period, duration, qualifying period, etc. Each

program generosity scores are calculated and then added to obtain the

general benefit generosity score (Scruggs 2008). He finds that welfare state

generosity is associated with both lower relative poverty and absolute poverty.

Brady (2009a) developed a Welfare State Index (WSI) that measures welfare effort, generosity, and extensiveness. This standardized score (mean=0, s.d.=1) represent a composite score of social welfare expenditures, social security transfers and government expenditures as a percentage of GDP, and public health spending as a percentage of total health spending. This measure correlates strongly with Scruggs and Allan's (2008) measure of welfare state generosity (r=.63), but two countries in Brady's (2009a) sample does not appear in this dataset. Brady (2009a) reports that WSI has a significant effect on poverty.

Contributing to these two most recent studies on welfare state generosity and poverty in Western industrialized countries, numerous studies in comparative social policy have found similar results (Brady 2005; Carroll 1999; Ferrarini 2006; Kangas 1991; Kangas and Palme 2000; Kenworthy 1999). They show that welfare states have effectively intervened in the lifecycle events that often lead to economic hardships and vulnerability—i.e., childhood, child rearing, old age, sickness, and job loss—and therefore have significantly reduced poverty. Brady (2005) found that social security transfers and public health spending as indicators of social welfare commitment significantly reduce poverty. These effects are much greater than economic and demographic determinants of poverty.

Table 3.6: Effects of Welfare State Commitment on Poverty

Independent variables	$\hat{\beta}$ (se($\hat{\beta}$)) Sig.		$\hat{\beta}$ (se($\hat{\beta}$)) Sig.		$\hat{\beta}$ (se($\hat{\beta}$)) Sig.	
	Pre-transfer poverty rate		Post-transfer poverty rate		LIS poverty	
Welfare state index (Brady)	1.45 (1.64)		-3.05 (.71)	***	-.03 (.009)	***
Welfare state generosity (Scruggs)	-.02 (.21)		-.33 (.10)	***	-.004 (.001)	***
Social expenditure	.44 (.30)		-.47 (.15)	***	-.005 (.002)	***
Cash benefit spending	.61 (.43)		-.46 (.23)	*	-.006 (.002)	**
In-kind benefit spending	.77 (.79)		-1.10 (.41)	**	-.008 (.005)	
Total LMP expenditure	.92 (1.29)		-1.72 (.70)	**	-.02 (.008)	**
Active LMP expenditure	2.05 (2.85)		-4.09 (1.45)	**	-.05 (.02)	**
Passive LMP expenditure	.88 (2.15)		-1.95 (1.22)		-.03 (.01)	**
Public health expenditure	.43 (.86)		.53 (.48)		.004 (.005)	
Public educational expenditure	-.33 (1.32)		-2.24 (.59)	***	-.03 (.009)	***
	Pre-transfer poverty gap		Post-transfer poverty gap		Inequality	
Welfare state index (Brady)	4.51 (2.94)		.03 (2.11)		-.03 (.009)	***
Welfare state generosity (Scruggs)	.22 (.31)		-.27 (.27)		-.004 (.001)	***
Social expenditure	.90 (.58)		.27 (.39)		-.005 (.002)	**
Cash benefit spending	.84 (.92)		.58 (.51)		-.005 (.003)	*
In-kind benefit spending	2.63 (1.36)	*	-.09 (.997)		-.01 (.005)	*
Total LMP expenditure	2.86 (2.48)		-1.08 (1.55)		-.02 (.007)	***
Active LMP expenditure	2.05 (2.85)		-3.15 (3.32)		-.05 (.02)	***
Passive LMP expenditure	7.24 (5.41)		-.86 (2.65)		-.03 (.01)	**
Public health expenditure	-.02 (1.63)		2.40 (.80)	***	.003 (.006)	
Public educational expenditure	1.94 (2.45)		-.73 (1.63)		-.03 (.006)	***

 * indicates p<.10, ** indicates p<.05, and *** indicates p<.01.

Table 3.6 shows the results from a serious of bi-variate regression analyses of poverty on variables that indicate welfare states' commitment to social welfare. Close to none of these government interventions had significant impact of pre-transfer poverty—both the poverty rate and poverty gap. Only in-kind benefit spending had a positive relationship with pre-transfer poverty gap. Greater the spending on in-kind benefits, the larger the poverty gap becomes. Interpretations would need to be made with care as

this may suggest reducing in-kind provision of benefits due to its countering effects on reducing the depth of poverty.

Moreover, the welfare state variables do little to impact poverty gap in general. Other than the countering effect of public health expenditure on post-transfer poverty gap, there is literally no significant effect found. As public health expenditure increases, post-transfer poverty gap also increases. Again, caution is warranted when interpreting this result. This may be in part due to those who have left poverty due to higher spending on public health, which leaves those who are in deeper poverty for the post-transfer poverty gap to be calculated.

Overall, these variables contributed significantly to post-transfer poverty rate, LIS poverty, and income inequality. Both WSI and Scruggs's indexes of welfare state generosity significantly reduce the poverty rate and income inequality. Notably, total social expenditure (including cash spending), total labor market policy expenditure (including active labor market policy expenditure), and public educational expenditure largely affected post-transfer poverty rate, LIS poverty, and income equality.

3.4. Effects of Other Socio-Economic Variables on Poverty

Consistent with the literature reviewed in the previous sections, Moller, Bradley, Huber, Nielsen, and Stephens (2003) have found that welfare state generosity, constitutional structure—i.e., number of veto

points—and the left political power in unions and in government explain the extent of income redistribution. On the other hand, socio-economic factors—i.e., de-industrialization and unemployment—significantly impact pre-tax/transfer poverty rates of working-age populations in advanced capitalist democracies.

Brady (2006) examined the extent to which manufacturing employment, agricultural employment, female labor force participation, the elderly population, and children in single mother families as structural variables affect headcount poverty. While having less powerful influence than welfare state, structural variables were found to have greater effects than economic growth. Backman (2009) also found that structural socio-economic factors—i.e., female labor force participation and the proportion of families with children—explain temporal variations in poverty rates.

Figure 3.5: Percentage of Female Working-Age Population and Poverty
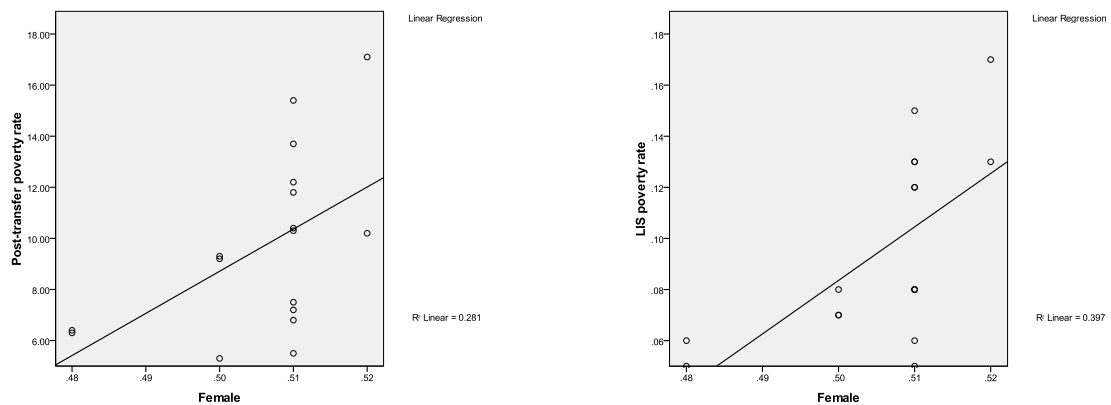
After reviewing the correlation matrix of all socio-demographic variables generated from LIS working-age adults—i.e., age, gender, number of children in the household, number of earners in the household, percentage of workers, unemployment rate, and percentage of highly educated—only gender and number of earners were found to be significant. Figure 3.5 illustrates the positive relationships between the percentage of female working-age adults and post-transfer poverty rate (b=168.91, t=2.42, p=.028) and LIS poverty (b=2.09, t=3.14, p=.007).

Figure 3.6: Number of Earners in Household and Poverty
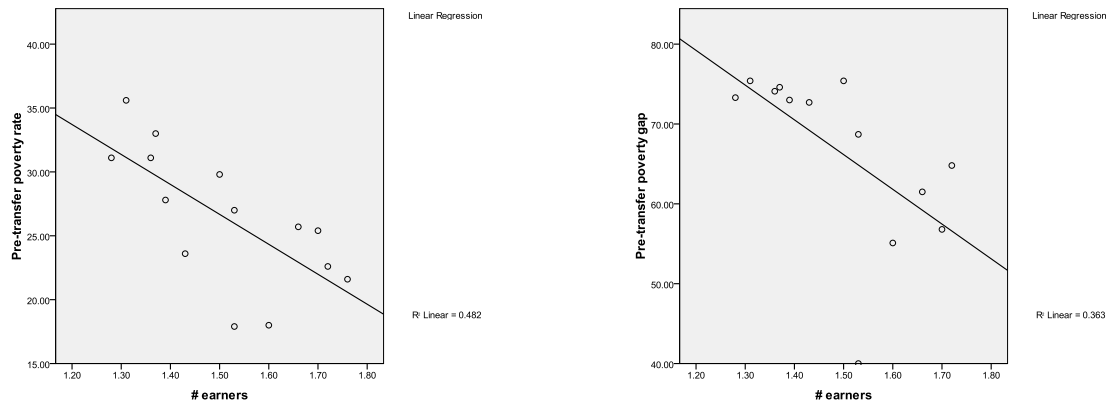
Figure 3.6 shows a negative relationship between the number of earners and both pre-transfer poverty rate (b=-23.44, t=-3.34, p=.006) and pre-transfer poverty gap (b=-43.50, t=-2.51, p=.029). As the average number of earners in the household increase, the market income poverty (pre-transfer poverty) decreases. Socio-economic variables in this data set may not have much influence on aggregate poverty because the variations at the individual

may yield more meaningful results. Theoretically, they determine the extent to which an individual participates in the labor market activities.

This chapter examined the aggregate country-level variables as they relate to various aspects of poverty at the aggregate level. Globalization was not found to have a significant influence on poverty while left political power and pro-poor electoral representation had significant impact on post-transfer poverty rate, LIS poverty, and income inequality. Variables that represented welfare state generosity, or often referred to as welfare states' social welfare commitment, were found to be very significant when it comes to affecting post-transfer poverty rate, LIS poverty, and income inequality. The following chapter investigates the poverty at the individual level within the local context.

Chapter 4. Local Perspective: Poverty in the U.S.

Centeno and Lopez-Alvez (2001, 7, 9) see grand theorizing efforts in comparative analysis offer little contextuality, contingency, and relationality by failing to specify the functions associated with the social phenomenon under study. Case-specific theories give full analytic attention to small details that might contribute to explaining a certain phenomenon from one particular case. What Centeno and Lopez-Alvez (2001) refer to as "context" are history, culture/local practices, institutions, and so forth that make each case carry a unique explanation of the phenomenon at hand.

This chapter examines the effects of individual human capital and demographic differences on poverty at the individual level among working-age adults. A nationally representative data from the United States is used to closely investigate these relationships. This case-specific analysis provides the context of welfare state retrenchment—i.e., welfare reform—within which variations in individuals' access to education, training, and health determine the degree to which one experiences poverty.

4.1.   Human Capital, Social Exclusion, and Poverty in the U.S.

According to the human capital theory, investment in human capital can raise the future returns in the labor market, even though it may entail opportunity costs in forgone short-term earnings (Becker 1964; 1993). Many researchers have for decades linked human capital—in the form of education (Schultz 1961; Becker 1964; Zhan and Pandey 2002; 2004a), training (Mincer 1962; Hamilton 2002), and health (Grossman 1972; Bartel and Taubman 1979; Burkhauser, Butler, Mitchell, and Pincus 1986)—to labor productivity and economic wellbeing. In essence, educated, skilled, and healthy individuals tend to enjoy higher occupational status and earnings, thus increase their chances of upward mobility.

However, the quality of the U.S. workforce on average is falling behind relative to the labor market demands. While labor supply would need to balance out the demand for skilled workers with good education, training, and health in order to ensure labor market stability, only about 28% of Americans 25 years and over had a bachelor's degree as of 2004 (U.S. Census Bureau 2005). In a changing global economy with more jobs requiring post-secondary education, there is a mismatch between the projected growth of these jobs and the growth in the number of skilled workers. Jobs that require higher education are expected to account for 42% of total job growth by 2010 (Hecker 2002). It is projected that the increase in the number of individuals with post-secondary education over the next 20 years will only be at 19% as opposed to a 138% rise between 1980 and 2000 (Ellwood 2003).

Given this economic environment, the low-income individuals and families particularly face greater social exclusion in terms of not being able to access quality education and training, and maintain good health (Silver 2006). Highlighting its structural roots, Estivill (2003, 19) defines social exclusion as "an accumulation of confluent processes with successive ruptures arising from the heart of the economy, politics and society, which gradually distances and places persons, groups, communities and territories in a position of inferiority in relation to centres of power, resources and prevailing values." In fact, low education, low skills, and poor health confluence are the most common forms of barriers to employment that former and current TANF recipients experience in the labor market (Goldberg 2002).

First, pursuing higher education becomes a distant goal when met with the reality of nearly half of single mothers on welfare do not graduate from high school (Gueron and Hamilton 2002; Zedlewski and Anderson 2001). One major public policy paradox is that the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA; Public Law 104-193) and its reauthorization in the Deficit Reduction Act (DRA; Public Law 109-171) reduced poor women's access to college education and increased obligation to find employment.

PRWORA shifted the federal policy emphasis toward "Work First" approach, which limited opportunities for welfare recipients to pursue a college education (Cohen 1998). As a result, three years after welfare reform,

there were fewer welfare recipients with college degrees (Peterson, Song, and Jones-DeWeever 2002). Further jeopardizing the chances for acquiring post-secondary education, DRA substantially increased the proportion of welfare recipients—i.e., 50% in a given state—who must participate in work activities for a specified number of hours each week (Greenberg 2006).

These welfare-to-work policies mark the triumph of the Labor Force Attachment (LFA) approach or "employment-focused" programs over the Human Capital Development (HCD) or "education-focused" programs (Hamilton et al. 2001). LFA include programs that emphasize short-term job search assistance to find employment quickly while HCD promote longer-term skill-building activities, for the most part basic education (Gueron and Hamilton 2002). Hamilton et al. (2001) found that LFA had greater effects on employment, earnings, and welfare receipt compared to HCD. It is projected that higher costs, higher dropout rates, and longer completion time of HCD may have given way to the short-term success of LFA, comparatively speaking, since HCD cannot immediately produce measurable outcomes (Freedman, Michell, and Navarro 1999).

Second, training programs for the poor have been found to be less than effective. This is due in part to poor funding and administration, which are common characteristics of training packages for economically vulnerable groups (Grubb 1995). A national Job Training Partnership Act (JTPA) study suggested that classroom skills training did not increase the earnings of

welfare recipients (Orr et al. 1996). Little evidence of success is found in

training and short term educational programs for single mothers on public

assistance (Hamilton 2002). Training may have some effects on the increase

in earnings but the gains tend to be less than enough to move people out of

poverty (Heckman, LaLonde, and Smith 1999; LaLonde 1995).

Public sector-sponsored training in general suffers from strikingly

modest investments compared to the level of skills deficiencies that the

programs try to overcome (LaLonde 1995). The number of workers who

received training under the Workforce Investment Act of 1998 (WIA; P.L.

105-220) was 17% lower in 2003 compared to that in 1998, which was the

final year of WIA's predecessor, JTPA (Frank and Minoff 2005). The

underfunded WIA is only able to provide services to a fraction of those who

need training and employment services when skill shortages undermine U.S.

companies (Baider 2008).

Third, when it comes to health, the Manpower Demonstration

Research Corporation (MDRC) found in a study of low-income women in four

major cities that 34% among non-working welfare recipients suffered some

physical conditions that limited work (Polit, London, and Martinez 2001).

Similar health limitations were reported by 17% of a national sample of

TANF recipients (Zedlewski and Anderson 2001). Also, the latest

government data available suggest that close to 47 million (or 15.8% of the

population) were without health insurance in 2006 and the number rose by

2.2. million between 2005 and 2006 (DeNavas-Walt, Proctor, and Smith 2007). This is particularly significant for low-income jobseekers as reviews of empirical literature indicate significant relationships between health insurance and health (Levy and Meltzer 2001) and health and labor market outcomes (Currie and Madrian 1999).

Despite what the human capital theory may have suggested over the years, the poor seem to be disconnected from how the theory should play out in the mainstream society. Lack of human capital for the economically disadvantaged in this case may reflect their structurally vulnerable positions in society, resulting from being trapped in the lower segment of the bifurcated labor market (Rank 2004; Schneider 2005). Lack of human capital as structurally vulnerable attributes for the poor could be evidence of social exclusion taking place in the American labor market.

In this regard, this chapter explores the differential effects of human capital on the poor and other income categories. It would be important to investigate the extent to which human capital is distributed disproportionately among the poor compared to other upper income categories. Understanding how education, training, and health status affect the poor differently becomes crucial particularly when vulnerability in the labor market could increase with any one of these elements missing for the poor. The following research question is asked: What is the role of human

capital in the form of education, training and health status in explaining

different levels of poverty?

4.2.   Analyses of Human Capital and Poverty

The *data* for this analysis come from the Core and Topical Module files

of the 1996 panel of the Survey of Income and Program Participation (SIPP).

The 1996 panel, consisting of 12 waves or 48 months, starts in April 1996 and

ends in March 2000. The 1996 panel also includes an oversample of the low

income population in order to support the primary goal of the SIPP, which is

to produce longitudinal estimates of income and program participation,

paying most attention to improving the information for people who are

economically at risk, and improving the capability to respond to current

policy needs in topical areas (U.S. Census Bureau, 2001). The SIPP is a

nationally representative, multi-panel, and longitudinal survey of about

9,000 housing units per month (36,700 in the entire 1996 panel) conducted by

U.S. Bureau of the Census. Data from Wave 8 (August - November 1998) of

the 1996 panel is used for the analyses, which comprises 46,562 working-age

individuals between ages 18 and 65. This particular wave was selected

because data on job training and health conditions were available in the

Topical Module 8 questions.

4.2.1. Variables

Two dependent variables were used to measure the poverty status of working-age adult individuals in this analysis. First, a dichotomous poverty status variable indicates whether one's total household income in dollar amount was above the official poverty line in August 1998. A value of 1 was assigned for individuals who were identified as non-poor, having total household income greater than or equal to the poverty threshold, and 0 for those who were poor.

Second, a mutually exclusive multi-category poverty status variable was created in order to further examine the extent to which educational achievement and other accompanying human capital variables differentially affect various levels of income groups beyond the poverty line.

Individuals whose total household income fell below the federal poverty level (FPL) were coded as 0 once again. The non-poor group was divided into three groups following the groupings used by Newacheck, Hung, Park, Brindis, and Irwin (2003). The first group (coded 1) included the near-poor individuals who lived in households with income greater than or equal to 100% and less than 200% of the poverty line [also similarly used by Kasper, Giovannini, and Hoffman (2000)]. The moderate income group (coded 2) comprised individuals at 200-299% FPL, and the middle/high income group (coded 3) had household income at greater than or equal to 300% FPL. Three-hundred % FPL is close to the median household income for many as nearly half (52.8%) of all Americans live within this threshold (U.S. Census

Bureau 2006). Hereon forth, these categories are referred to by their assigned numbers as indicated above, i.e., below 100% FPL will be referred to as Category 0.

Control variables include demographic and employment-related factors that have been found in previous research to have significant effects on economic outcomes. The demographic control variables are respondent's age, race, gender, marital status, and number of children under 18 living in the household. Respondent's age and number of children under 18 living in the household are continuous variables, while the remaining ones are categorical. Race (non-White=1, White=0) and gender (female=1, male=0) are included as factors associated with being poor. Since only little over 2% of the sample was widowed, the variable marital status was collapsed into three categories: never married, married, and previously married (divorced, separated, and widowed) and was dummy coded with never married being the reference category.

Two employment-related variables were included in this analysis: Employment status of the respondent (working=1, not working=0) and the presence of additional household earner(s). Additional adult earners may include non-spouse adults living in the same household. While the lack of additional earners complicates the economic situation of the poor, other adults with zero or low earnings would be less than helpful. Inclusion of additional earners in the household is important especially considering that

heterosexual couple families are on decline and other forms of living

arrangements including—single parent, cohabiting, gay and lesbian couples

are on the rise. Additional earners would need to provide about $2,000 -

$3,700 each in earnings in order to offset the increase in family needs

required by an additional person (Lerman 2002).

In the current sample, there were 27,338 (35.7%) that were married.

Of these married individuals, 26,881 were living with the spouse and 457

were not living with the spouse. Among those 26,881 individuals who were

living with the spouse, 5,723 (21.29%) had no extra earner in the house other

than the income of the respondent. And 15,850 (58.9%) had one extra earner

in the house earning more than $2,000 annual income, who happened to be

the spouse of the respondent. Interestingly, about 20% of those who were

living with the spouse had earners other than the spouse who were

contributing to the household income. Also, of the total unmarried sample,

about 60% had other adults earning more than $2,000 annual income. A

dummy variable was created to capture the effect of additional earners.

Households with additional earners other than the respondent and the

spouse of the respondent that earned more than $2,000 annual income

received a score of 1 and the household with no additional earner served as

the reference group.

The independent variables of interest are a group of human capital

variables—educational attainment, job training, and work-preventing health

conditions. Supported by previous research that suggested postsecondary education is a strong predictor of economic well-being (Zhan and Pandey 2004a; 2004b), a four-category education variable was created: Less than high school degree, high school degree / GED, some college, and college degree and above. Then, these categories were dummy coded with less than high school degree being the reference group. Job training is a dichotomous independent variable that captures whether a respondent received any job training between August 1988 and August 1998 (job training=1, no job training=0). Health is a dichotomous independent variable that captures whether a respondent had work-preventing health conditions at the time of interview (in August 1998). A value 1 was assigned for individuals who reported having health problems and 0 for those who did not.

4.2.2. Analysis and Findings

Three types of statistical analyses were conducted. First, a descriptive analysis provided the demographic and poverty characteristics of the sample. Second, poverty status was regressed on control variables and human capital variables. A binomial logistic regression analysis examined the extent to which human capital variables, together as a block and individually, may influence poverty status. In order to observe the former, the log-likelihood ratio (LR) test was conducted to assess whether there was a statistically significant increase in the log-likelihood when the human capital variables

together as a block were added to the control variables. Finally, a multinomial logistic regression analysis was used in which a multi-category poverty status variable was regressed on control variables and human capital variables.

This method is particularly helpful when examining how multiple categories in the dependent variable are affected differently in comparison to a particular reference category. The ordinal character of the multi-level poverty status variable might suggest using an ordered logistic regression, but the failure to meet the parallel regression assumption justified the use of multinomial logistic regression (Allison 1999). Comparisons were first made using Category 0 as the comparison group with respect to all other categories. Next, Category 1 was used as the base category in comparison with Categories 2 and 3, followed by Category 2 being the base category in comparison with Category 3. The following two hypotheses were tested:

(1)   Human capital has a significant effect on poverty in the binomial model, and

(2)   Human capital has a differential effects on the poor and other upper income categories in the multinomial model.

A weighted descriptive summary of demographic and poverty characteristics is provided in Table 3.1. Individuals with household incomes above 100% of the FPL are considered non-poor (90%), whereas those with incomes below this threshold are considered poor (10%). The non-poor are

divided into three groups: Category 1 (16%), Category 2 (18%), and Category

3 (56%). On average, the non-poor were older than the poor and had fewer

children under 18 living with them in the household. The poor were less

likely to be White, more likely to be female, and less likely to be married

compared to the non-poor. The non-poor had a much higher percentage of

individuals who were living with an additional earner with more than $2,000

annual income. Also, respondents in the non-poor category were more likely

to be working than the poor. Among the non-poor categories, Category 3 was

most likely to be White, most likely to be married, most likely to have

additional household earners, and most likely to be working. Also, this

category of households had the least number of children under 18.

Table 4.1: Weighted Demographic and Poverty Characteristics of the Sample (N=46,562)

Variables	Full Sample (%)	Poor (n=4,815)	Non-poor (n=41,747)			
			All non-poor	Relative poverty status		
				100-199%	200-299%	≥ 300%
			(0)	(1)	(2)	(3)
Dependent variables		10.17	89.83	15.88	17.82	56.13
Control variables						
Age (years) [a]	39.29	37.76	39.46	37.82	38.42	40.26
Race						
White	82.94	69.46	84.47	77.77	81.62	87.27
African American	12.31	24.06	10.98	16.98	13.62	8.45
Other	4.74	6.49	4.55	5.26	4.75	4.28
Female	50.75	58.25	49.90	52.69	51.23	48.69
Marital status						
Never married	27.21	36.71	26.14	29.63	26.74	24.96
Married	57.70	38.44	59.88	51.64	56.99	63.13
Divorced or separated	12.99	20.92	12.10	15.72	13.79	10.53
Widowed	2.09	3.92	1.88	3.00	2.48	1.38
Number of children under 18 [a]	.79	1.12	.75	1.10	1.14	.59
Additional household earner(s)	35.77	20.90	37.45	25.13	34.99	40.66
Working	78.82	47.38	82.37	67.51	78.86	87.70
Human capital variables						
Educational attainment						
Less than high school	14.26	32.89	12.15	26.80	16.19	6.73
High school degree / GED	32.26	33.55	32.11	37.75	38.13	28.61
Some college (vocational, associates)	30.74	23.18	31.59	26.45	31.83	32.98
4-year college or above	22.74	10.38	24.14	9.00	13.85	31.69
Job training	38.61	23.28	40.35	25.49	33.48	46.73
Health conditions that prevent working	15.96	35.24	13.78	26.29	17.54	9.05

Note: [a] Mean scores are reported for continuous variables.

Compared with the non-poor individuals, a higher proportion of the poor had received less than high school education. On the other hand, the non-poor were twice as likely to have had at least a 4-year college degree. The non-poor also had a higher percentage of individuals who had received some type of job training in the past 10 years. The poor were more likely than the non-poor to have some health conditions that prevented them from working. Particularly, when compared to other non-poor groups, Category 3 were most likely to have received a 4-year college degree or more, most likely to have received some type of job training, and least likely to report having any work-preventing health conditions.

4.2.3. Binomial Logistic Regression Analysis

A binomial logistic regression model explaining poverty status was examined to assess factors related to the probability of living above FPL (see Table 3.2). The log likelihood ratio (log likelihood=12,077.58) compares the likelihood function for the model to the likelihood function if all coefficients except the intercept are 0. There was a good fit between the model and the data ($\chi^2(13)=6,809.74$, $p<.001$), which indicated that the independent variables were better predictors of the dependent variable to have the value of 1 (non-poor) than a model without them.

By using the LR test, a nested logistic regression model that only included the control variables was compared with the unconstrained model

that added a block of human capital variables to the control variables. The

LR test result suggested that adding these four human capital variables to

the control variables significantly increased the log likelihood value compared

to the model without them ($\chi^2(5)$=899.50, p<.001). This reconfirmed that the

human capital variables make up an important perspective in terms of

explaining the likelihood of an individual living above FPL.

As hypothesized, all three human capital variables strongly affected

poverty status. Educational attainment at all levels significantly increased

the chance of being non-poor. The adjusted odds of living above FPL for

individuals with a high school degree / GED were 1.76 times the odds for

those without a high school degree. In other words, the odds of living above

FPL for those with a high school degree are 76% higher than the odds for

those without a high school degree, holding control variables constant. The

odds of living above FPL for individuals with some college education were

2.25 times the odds for those with less than high school education. Having at

least a 4-year college degree was most influential in keeping people out of

poverty. The odds of these individuals living above FPL were 2.96 times the

odds for those with less than high school education.

Job training also kept people out of poverty. The adjusted odds of

living above FPL for those with some previous job training were 1.46 times

the odds for those without any job training.

This chapter also showed that health conditions matter in explaining poverty status. The odds of living in poverty for those with health conditions that prevented them from working were 41% higher than for those who were healthy and lacked any work preventing health conditions.

Looking at the control variables, older individuals and those who had fewer children living in the household were more likely to be living above FPL when all other variables were kept constant. The adjusted odds of non-White individuals living in poverty were 37% higher than the odds for White individuals. Being female was associated with 8% higher odds of living in poverty. Compared to never-married individuals, those who were married were more likely to be non-poor while previously married ones were less likely to be living above FPL. Having another household earner(s) with more than $2,000 annual income increases the odds for living above FPL 5.14 times holding all other independent variables constant. Being employed is also associated with 3.81 times the odds of being non-poor compared to not being employed.

Table 4.2: Logistic Regression Model Explaining Poverty Status (N=46,562)

Independent variables	Non-poor [a]		
	$\hat{\beta}$ $_{(se(\hat{\beta}))}$	Sig.	Odds ratio
Control variables			
Age	.02 (.002)	***	1.02
Non-White	-.46 (.04)	***	.63
Female	-.08 (.04)	*	.92
(Never married)			
Married	1.25 (.05)	***	3.50
Previously married	-.20 (.06)	***	.82
Number of children	-.33 (.02)	***	.72
Additional household earner(s)	1.64 (.05)	***	5.14
Working	1.34 (.04)	***	3.81
Human capital variables			
(Less than high school)			
High school degree / GED	.57 (.04)	***	1.76
Some college (vocational, associates)	.81 (.05)	***	2.25
4-year college or above	1.09 (.06)	***	2.96
Job training	.38 (.04)	***	1.46
Health conditions that prevent working	-.53 (.04)	***	.59
$\chi^2(13)$	6809.74	***	–
Log likelihood	12077.58	–	–
LR test for human capital variables: $\chi^2(5)$	899.50	***	–

* indicates p<.05, ** indicates p<.01, and *** indicates p<.001.
[a] Dependent variable (poverty status) = (0) Less than 100% poverty, (1) 100% poverty and above.

4.2.4. Multinomial Logistic Regression Analysis

To make a closer examination of how multiple categories of poverty status with reference to one another are affected by the independent variables, a multinomial logistic regression analysis was conducted (see Table 3.3.). The dependent variable in this case was the multi-level poverty status with four categories. This variable was regressed on the human capital variables and the demographic and employment-related control variables.

The analysis demonstrated a good fit between the model and the data ($\chi^2(39)$=16,743.81, p<.001), which suggested that these independent variables were better predictors of the dependent variable than a model without them.

First, when Category 0 (individuals with incomes less than 100% FPL) was compared with three other income groups, with one exception, the likelihood of being in higher income groups improved as the education level increased. The odds of having incomes above 300% FPL versus those below FPL for individuals with at least a 4-year college degree were 8.43 times the odds for their counterparts without a high school degree (see Table 4.3). Although less pronounced than Category 3, having a 4-year college degree had a significant effect on the likelihood of being in Category 2 compared to Category 0.

The notable exception was that having a 4-year college degree or more did not show any difference in the likelihood of being in the near-poor income level in Category 1 compared to Category 0. On the other hand, having a high school degree / GED and some college education significantly increased the chance of being in all levels of income groups versus Category 0. This confirms the hypothesis that there is a differential effect of higher education on the poor and other higher income categories.

Also, having received job training significantly contributed to the increased likelihood of being in a higher income category with the exception of one category. Once again to support the hypothesis of differential effects of

human capital on the poor, having received job training did not significantly affect the likelihood of being in Category 1 versus Category 0. In comparison with other higher income categories, job training was consistently a strong predictor. For instance, the odds of having an income above 300% FPL versus being in Category 0 for those with job training were 90% higher than the odds for those without any job training.

As expected, health conditions that prevented work had negative effect on income. Consistently in comparison with all higher income categories, individuals with work-preventing health conditions earned less. For instance, the predicted odds of individuals with work-preventing health conditions to have incomes above 300% poverty were 64% lower than those without such conditions compared to the base group (that is, below 100% FPL).

Second, the non-poor categories were compared with each other. Human capital variables consistently played critical roles in explaining the odds of being in higher income categories. Among non-poor individuals, the odds of belonging to a higher income group increased with education (see Table 4.3). For example, when comparing between Categories 1 and 3, individuals with a 4-year college had 9.56 times the odds of having incomes above 300% FPL compared to the odds for those without a high school degree. The odds ratio was remarkably high even when the comparison was between Categories 2 and 3. The odds of having incomes above 300% FPL were 4.54 times for those with at least a 4-year college compared to individuals without

a high school degree. Similarly, job training improved the odds of earning

incomes above 300% FPL by 43% and work preventing health conditions

reduced the odds of earning incomes above 300% FPL by 43%.

Some observations stand out in the findings with regard to the control

variables. What seemed more important in terms of the magnitude of effects

was the presence of additional earner(s) in the household. This factor, as

opposed to not having additional adults with earnings over $2,000 per year,

had the largest odds ratio (OR=8.77) among all variables affecting the odds of

being in higher income categories in comparison to Category 0. Another

control variable of importance was employment status, which greatly

contributed to the increased likelihood of being in a particular category in

comparison to the reference category. Finally, in every comparison,

previously married mothers consistently fared worse than never married

mothers in terms of their income.

Table 4.3: Multinomial Logistic Regression Model Explaining Multi-Category Poverty Status (N=46,562)

Independent variables	(0) vs. (1) β		Odds ratio	(0) vs. (2) β		Odds ratio	(0) vs. (3) β		Odds ratio	(1) vs. (2) β		Odds ratio	(1) vs. (3) β		Odds ratio	(2) vs. (3) β		Odds ratio
Control variables																		
Age	.01	***	1.01	.02	***	1.02	.03	***	1.03	.01	***	1.01	.02	***	1.02	.01	***	1.01
Non-White	-.22	***	.80	-.41	***	.66	-.74	***	.48	-.18	***	.83	-.52	***	.60	-.33	***	.72
Female	-.05		.95	-.06		.94	-.11	**	.89	-.01		.99	-.06	*	.94	-.05	*	.95
(Never married)																		
Married	.87	***	2.38	1.29	***	3.65	1.70	***	5.48	.43	***	1.54	.84	***	2.31	.41		1.50
Previously married	-.01		.99	-.07		.93	-.40	***	.67	-.06		.94	-.39	***	.68	-.33	***	.72
Number of children	-.10	***	.90	-.27	***	.76	-.64	***	.52	-.17	***	.84	-.54	***	.58	-.37	***	.69
Additional household earner(s)	1.07	***	2.93	1.62	***	5.06	2.17	***	8.77	.55	***	1.73	1.10	***	2.99	.55	***	1.73
Working	.86	***	2.37	1.32	***	3.73	1.78	***	5.92	.45	***	1.58	.92	***	2.50	.46	***	1.59
Human capital variables																		
(Less than high school)																		
High school degree / GED	.22	***	1.24	.64	***	1.89	1.10	***	2.99	.42	***	1.52	.88	***	2.41	.46	***	1.58
Some college (vocational, associates)	.22	***	1.24	.80	***	2.23	1.58	***	4.85	.58	***	1.79	1.36	***	3.90	.78	***	2.18
4-year college or above	-.13		.88	.62	***	1.86	2.13	***	8.43	.75	***	2.11	2.26	***	9.56	1.51	***	4.54
Job training	.04		1.04	.28	***	1.33	.64	***	1.90	.25	***	1.28	.61	***	1.83	.36	***	1.43
Health conditions that prevent working	-.13	**	.88	-.47	***	.63	-1.02	***	.36	-.34	***	.71	-.90	***	.41	-.56	***	.57

χ²(39)	16743.81***
Log likelihood	45981.32

* p<.05, ** p<.01, *** p<.001.
Dependent variable is a multi-category poverty status as follows: (0) less than 100% poverty, (1) 100% poverty to less than than 200% poverty,
(2) 200% poverty to less than 300% poverty, and (3) 300% poverty and above.

4.3.   Differential Effects of Human Capital on the Poor

There are two important findings from these analyses—(1) the
differential effects of human capital on the poor as compared to the non-poor;
and (2) the effects of demographic and employment-related variables on
poverty status. First, this chapter clearly shows that human capital
variables in general are associated with greater chances of being in upper
income categories. Education consistently increases the chance of being in
higher income groups even after controlling for demographic characteristics,
work status, and health status. With regard to both high school / GED and
some college level education, an individual's likelihood of being in upper non-
poor groups consistently increase. However, results are mixed when
examining individuals with more than a 4-year college degree. There exists a
differential effect of higher education on the poor and the near-poor. Having
a 4-year college degree or more would make little difference for the poor to
get out of poverty into Category 1, but would help the near-poor to move into
Category 2 and beyond.

This is indicative of social exclusion from the opportunity structure
where lack of higher education represent not the failure to invest in
individual development but the structural vulnerability for those that are in
poverty and those that are at the margin of being poor. Investing in higher
education for the poor may be too simplistic an answer when the segmented

labor market structure in America is characterized by the growing wage differentials between the skilled and unskilled workers (Jensen and Slack 2003; Shulman 2003).

As mentioned earlier, of major concern is that the number of low-skilled jobs has been declining in the United States and that the majority of jobs will require a postsecondary education (Dohm and Shniper 2007; Gittell Gross and Holdaway 1993). Over the years, the United States has fallen behind many other industrialized nations in terms of college participation and graduation rate among young adults. According to a report by the National Center for Public Policy and Higher Education (2006), the United States ranked 16th among 27 countries compared in terms of college completion and the college enrollment rate has remained flat especially since the 1990s while enrollment rate in other countries have been rising rapidly.

As the low-skilled jobs decline, workers with little education have lower chances of entering the labor market and earning sufficiently to support a family. Also, majority of students from low-income background rely on financial aid and loans to support their cost of college education (Choy and Berker 2003), but the interest rates on educational loans have been rising over the years and Pell grants have not kept up with inflation. As a result, higher education has become increasingly unaffordable to students in the lower rungs of the economic ladder. Of those that choose to attend college,

many are left with large debt burdens with or without a college degree (Baum and O'Malley 2002).

As long as education is used as a screening device to exercise labor market discrimination (Taubman and Wales 1973), forcing the path of upward mobility that may be most suitable to the near-poor and upper income groups would invite even more exclusion of those that are already excluded. Targeting educational strategies tailored specifically for the lower income workforce would be desirable. With a strong commitment to basic education for all—i.e., focusing on high school completion and vocational / associates degree—and tackling the structural vulnerability at the core—i.e., linking with local community-based enterprise development efforts in partnership with other community resources—would help build 'employment hope' for the socially excluded.

This chapter also shows that job training programs benefit non-poor individuals but not the poor individuals. This is consistent with the earlier discussion of Heckman, LaLonde, and Smith (1999) and LaLonde (1995) that job training does not sufficiently increase the earnings to move people out of poverty. Job training programs are generally poorly funded and administered, particularly those that train the very poor (Grubb 1995). The quality of these programs is mediocre at best. For instance, short-term job training programs offered to welfare recipients are criticized as placing overemphasis on quick results and being not rigorous in nature and therefore,

do not result in upward economic mobility. On the other hand, employer initiated trainings are much more rigorous and not only result in real skill development, but also may result in promotion and salary raise. While 87% of municipalities find that job training is an effective strategy to assist low-income working families, more than 80% of manufacturers reported lack of applicants with required education and skills (Katz, Hoene, and Nicole de Kervor 2004).

Despite WIA's original intent to encourage collaboration between workforce and adult education services, fewer low-skilled adults are being trained under it Title I and Title II programs (National Commission on Adult Literacy [NCAL] 2008). The number of people who received training under WIA was only 206,000 in 2002 and President Bush's proposal to double this number has stood against the congressional proposal to cap or reduce WIA funding (Patel, 2005). This is detrimental particularly to the low-income participants whose decline in training under WIA is most pronounced (Frank and Minoff 2005). From 1998 to 2007, low-income adults exiting the WIA training program declined nearly half from 96% to 53.7% (NCAL 2008). Therefore, investing in quality training and increasing resources for the most disadvantaged rather than the more employable ones will make the beneficiaries more competitive as job seekers.

Finally, work preventing health conditions negatively affect the odds of being in upper income groups. This result is just as paramount when it

comes to implication. The pervasiveness of health at all income categories highlights its importance. One might plainly take this as an individual investment issue and call for a healthy lifestyle to increase labor market performance. Nonetheless, even with the expansion of the State Children's Health Insurance Program (SCHIP) in the 1990s, the number of uninsured has increased by 9 million people between 2000 and 2006 (DeNavas-Walt, Proctor, and Smith 2007). And over 8 out of 10 uninsured people are in working families, and 70% of them are from families with one or more full-time workers (Kaiser Family Foundation 2006). At the structural level, it would be vital to strengthen the employment-based health coverage and access to health care services to maintain good health status for individuals (Kasper, Giovannini, and Hoffman 2000).

Among the findings related to control variables, race and gender need to receive special attention as they relate to social exclusion. Being non-White was found to affect income categories at all levels. While some might argue that earnings disparities between the Whites and Blacks is due to the skills that they bring to the labor market and not necessary due to discrimination (Heckman 1998), Coleman (2003) found that a clear pattern of racial discrimination that exists in the American labor market, evidenced by the Black-White wage differences despite having the same set of skills. Historical disparities in educational attainment have existed between the Whites and Blacks, and employers continue to avoid hiring inner-city

minority men even with recent increase in their educational levels (Holzer 1996; Kantor 1999; Braddock and McPartland 1987). It is imperative that anti-discriminatory and inclusive labor market practices be enforced concerning racial minorities.

Keeping all other demographic factors, human capital variables and employment factors constant, the gender effect become more distinct in the higher income level. For women, the probability of earning above 300% FPL versus below FPL is 11% lower than for men (see Table 4.3). Other studies also suggest that men and women enjoy differential earnings (Zhan and Pandey 2004a). Women are certainly at a disadvantage probably due to discrimination in the labor market, especially in the upper income level. Equal opportunity to jobs in the higher income categories will further ensure upward economic mobility for women at the same rate as that for male counterpart.

Next, household earner structure was consistently significant in both the binomial and multinomial models, controlling for marriage and other variables. This may point to the possibility that, as far as household poverty is concerned, living arrangements or household structures with extra earner(s) would be a critical factor rather than considering the mere fact that a person is married or not married. One could speculate that the current American economy may require not just the spouse as an additional earner

but also other household earners to contribute to household income for financial sustainability.

This chapter found differential effects of higher education and training on the poor and the near-poor. Human capital in the form of higher education and training operates not so much as investment for the poor but as structurally vulnerable attributes in the market place (Rank 2004). Therefore, promoting upward economic mobility based on investment in higher education and training may seem less applicable to the poor than the near-poor. However, for the non-poor, the prospects for upward mobility improve with every additional level of education. Those with at least a 4-years college degree enjoy the highest upward economic mobility prospects. Training and having work-preventing health status consistently affect the chances of being in upper income categories.

The three aspects of human capital become all the more important in a growingly global market place that challenges the traditional theory of human capital. Reich's (1991) warning about the new 21st century U.S. economy is well warranted. Enterprises are no longer rooted in nation-states and therefore they lose the community connection by relocating cross-nationally wherever quality workforce is available. Public investment in human capital declines as a result. This further exacerbates the reward gap between the highly educated 'symbolic analysts' and the unskilled workers. Symbolic analysts, according to Reich (1991), are the most advantaged and

marketable few who can cultivate lifelong learning in the new global labor market.

It is difficult to conceive any element out of education, training, or health to be missing for lifelong learning to take place in a highly competitive labor market. Comprehensive programs that ensure basic and post-secondary education, relevant quality training, and health protection would need to be the full package for a long-term human capital development. Facilitating this type of workforce development would take combining development of social capital, cultural capital, work experience, and training (Schneider 2005).

At the same time, these efforts would have to be accompanied by economic reforms that focus not just on the 'employability' of individuals but rather on the development of 'inclusive labor market' that enhances employment hope for low-income individuals (Hong, Sheriff, and Naeger 2009). This approach would provide a meaningful matching of comprehensive human capital development and better job opportunities in order to combat social exclusion (Estivill 2003; Silver 2006) that exists in the form of underemployment (Livingstone 1997a; 1997b; 1997c) and structural vulnerability in the labor market (Rank, 2004).

Chapter 5. Glocal Perspective: Poverty among Welfare States

5.1.   Structural Vulnerability Thesis

This chapter combines the analyses of the structural and individual level variables as they relate to poverty status and poverty gap. This is examined using the multilevel analyses called GEE and HLM. The GEE is used for the dichotomous dependent variable poverty status and HLM for the continuous poverty gap. In a series analyses, the effects of socio-politico-economic structural variables are sequentially examined along with individual and household characteristics. The analyses contribute to empirically validating Rank's (2004) structural vulnerability thesis in the global cross-national context.

Poverty in America according to Rank, Yoon, and Hirschl (2003) is a result of structural failings at the economic, political, and social levels to which many poor are vulnerable. These structural conditions are lack of job opportunities, less generous social safety net, and the high risk of experiencing poverty in adult lifetime. Rank (1994; 2000; 2001; 2005) argues that individual poverty is determined by the structural vulnerability of individuals. In other words, human capital and labor market attributes are structurally conditioned by their vulnerable positions in the economic system in the first place which keep the poor in disadvantaged positions in the labor market.

5.2.   Multilevel Analysis of Poverty Status

5.2.1. Data and Sample

The Luxembourg Income Study (LIS) data is used to conduct a cross-national comparative analysis of 17 affluent democracies. LIS is a cross-national data archive located in Luxembourg. The number of member countries continues to grow and the database now covers more than 30 countries with datasets that span up to three decades. LIS constructs harmonized databases that can be considered as the best source for international comparative studies.

In order to examine the variations in advanced welfare states, 18 countries were originally selected from LIS Wave 5 (around year 2000): Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Norway, Spain, Sweden, Switzerland, UK, and USA. Wave 5 data for Denmark did not run with the rest of the 17 countries and therefore had to be omitted. Focusing on labor market active age group (between 18 and 65 years of age) of 17 remaining countries, merging of the data for these countries yielded 120,838 working-age individuals in the sample.

5.2.2. Variables

Dependent variable is poverty defined as 1 if individuals reside in a household with less than 50% of the median household income in 2000. Poverty gap is the second dependent variable which captures the distance of the poor individual's household income to the poverty threshold. This measure is denoted as GR [in Chapter 3] which by dividing the gap G by the poverty threshold z, due to the difference in the national currency. Individual level independent variables include age, gender, marital status, educational level, labor force status, number of children under 18, and number of earners in the household. While some countries had information on ethnicity, immigrant status, and occupational training, there were too many missing values to include these variables.

Level of education represents the human capital perspective. Based on the LIS standardization, low education is dummy coded with middle to high education categorized together as the reference group. Demographic and employment-related factors found in previous research to have significant effects on economic outcomes are included. Respondent's age, gender (female=1, male=0), marital status (dummy coded married=1 and divorced, separated, and widowed with never married as the reference category=0), and number of children under 18 living in the household. Two employment-related variables were included in this study: Employment status of the respondent (working=1, not working=0) and the number of household earner(s).

The country level data set was created by using the OECD data archive for 2000 and key measures in recent publications. These variables include: (1) globalization; (2) politics [representation of the poor; cumulative left party power; and union density]; (3) social welfare commitment [welfare generosity; active labor market policies; and public educational expenditure]; and (4) economic [unemployment rate]. The globalization variable for 2000 was taken from KOF Index of Globalization which is a composite index of economic, political and social globalization (Dreher 2006; Dreher, Gaston and Martens 2008).

The political variables include Jusko's (2008) low-income seat and Brady et al.'s (2009a) left political party influence and and union density. The social welfare commitment variables include: Brady et al.'s (2009a) welfare state index and OECD's active labor market policy spending as a percentage of GDP and public educational expenditure as a percentage of GDP. The domestic economic variable includes the unemployment rate from OECD.

5.2.3. Hypotheses and Analysis

This chapter closely examines the following hypotheses in relation to the globalization research question (Q1). Controlling for other independent variables and demographic characteristics,

Q1-H(a). Individuals who reside in countries with lower degree of globalization are less likely to be poor.

Hypotheses related to the political research question (Q2) are:

controlling for other independent variables and demographic characteristics,

Q2-H(a) Individuals who reside in countries with stronger representation of the poor will be less likely to be poor.

Q2-H(b) Individuals who reside in countries with stronger Left party influence will be less likely to be poor.

Q2-H(c) Individuals who reside in countries with higher union density will be less likely to be poor.

Hypotheses related to the economic research question (Q3) are:

controlling for other independent variables and demographic characteristics,

Q3-H(a). Individuals who reside in countries with lower unemployment rate are less likely to be poor.

Hypotheses related to the welfare states' commitment to social welfare

question (Q4) are: controlling for other independent variables and

demographic characteristics,

Q4-H(a). Individuals who reside in countries with higher WSI are less likely to be poor.

Q4-H(b). Individuals who reside in countries with greater investment in active labor market policies are less likely to be poor.

Q4-H(c). Individuals who reside in countries with higher educational spending are less likely to be poor.

In order to test these hypotheses, a multilevel analysis is conducted.

Due to the clustering of individuals within countries and regions, a

generalized estimating equation (GEE) model with a logit link is used to test

these hypotheses (Brady et al. 2008). While this is a comparable approach to

a hierarchical linear modeling (HLM) technique, the actual HLM software could not be used due to the LIS's micro data management policy which does not allow researchers to have direct access to the raw data. Analyses are conducted using an online job submission portal called LISSY by which individuals can submit programs in SAS, Stata, SPSS, or R.

5.2.4. Results

Table 5.1 illustrates the base model (Model 1) without the country-level variables. When explaining relative poverty, some common individual-level demographic variables did not display strong significant relationships with poverty. Number of children under 18 living in the household and the number of household earners contributed significantly to the odds of being in poverty. Also, employment status significantly reduced the chance of being in poverty. Interestingly, low education was associated with lower probability of being poor.

Table 5.1: Poverty on Country Variations and Individual Variables

Independent variables	Model 1 $\hat{\beta}$ (se($\hat{\beta}$))	Sig.	Model 2 $\hat{\beta}$ (se($\hat{\beta}$))	Sig.
Intercept	-1.248 (.05)		-.32 (.05)	***
Country-level variables				
Country (Reference=US 2000)				
Finland 2000 (108)			-1.21 (.06)	***
Germany 2000 (121)			-1.24 (.06)	***
Sweden 2000 (122)			-1.25 (.05)	***
Italy 2000 (123)			-.91 (.05)	***
Norway 2000 (124)			-.98 (.05)	***

Netherlands 1999 (125)		-1.76 (.09) ***
Luxembourg 2000 (127)		-1.63 (.13) ***
Ireland 2000 (137)		-.15 (.08)
Austria 2000 (139)		-1.19 (.10) ***
Belgium 2000 (140)		-1.39 (.11) ***
Spain 2000 (142)		-.29 (.06) ***
Switzerland 2000 (145)		-3.87 (.09) ***
France 2000 (169)		-1.34 (.05) ***
Individual-level variables		
Age	.0003 (.001)	.0007 (.001)
Female	.03 (.02)	.02 (.02)
Married	.0001 (.02)	.02 (.03)
Number of children	.29 (.01) ***	.39 (.01) ***
Working	-.08 (.03) **	-.03 (.03)
Number of earners	-.85 (.02) ***	-1.29 (.02) ***
Low education	-.07 (.03) *	-.006 (.03)
BIC	55441.80	50697.56

* indicates p<.05, ** indicates p<.01, and *** indicates p<.001.

Model 2 enters the first order country-level variation in order to examine the cross-national differences in poverty at the individual level. Being in countries other than the United States alone, except for Ireland, is associated with significantly reduced chance of being poor. When country variations enter the model, employment status is no longer significant. Household characteristics variables—having more children under 18 and having multiple household earners—maintain their significant presence in the model.

Table 5.2 shows the relationship between globalization and individual poverty. Unlike how globalization did not have any significant relationship with various aspects of poverty at the aggregate level, it was found to have a significant negative relationship with the probability of being poor. Globalization decreases the chances of living in poverty. At the individual

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level, number of children and household earners continue to display strong

relationships with poverty.

Table 5.2: Poverty on Globalization and Individual Variables

Independent variables	Model 3		Model 4	
	$\hat{\beta}$ (se($\hat{\beta}$))	Sig.	$\hat{\beta}$ (se($\hat{\beta}$))	Sig.
Intercept	5.67 (.16)	***	5.46 (.31)	***
Country-level variables				
Globalization	-.08 (.002)	***	-.08 (.002)	***
Individual-level variables				
Age	-.002 (.001)		-.002 (.001)	
Female	.04 (.02)		.04 (.02)	
Married	.01 (.03)		.01 (.03)	
Number of children	.31 (.01)	***	.31 (.01)	***
Working	-.01 (.03)		-.01 (.03)	
Number of earners	-1.03 (.01)	***	-1.03 (.01)	***
Low education	-.03 (.03)		-.03 (.03)	
Interaction variables				
Globalization * working			-1.03 (.01)	***
Globalization * low education			-.03 (.03)	
BIC	50697.56		50697.56	

* indicates p<.05, ** indicates p<.01, and *** indicates p<.001.

In Table 5.3, the domestic political variables are examined as they

relate to poverty at the individual level. The number of seats representing

low-income districts had significant negative relationship with the odds of

being poor (Model 5). In this model, employment status and low education

added to the individual effects of household characteristics. The direction of

the effects of low education shifts to where low education affects greater

chance of being poor. In Model 6, left party power contributes to lowering

odds of being in poverty for individuals. Household characteristics remain significant, but the effects of employment and education variables disappear.

Table 5.3: Poverty on Country-Level Political and Individual Variables

Independent variables	Model 5		Model 6		Model 7	
	$\hat{\beta}$ (se($\hat{\beta}$))	Sig.	$\hat{\beta}$ (se($\hat{\beta}$))	Sig.	$\hat{\beta}$ (se($\hat{\beta}$))	Sig.
Intercept	-.48 (.05)	***	-.85 (.05)	***	-.93 (.05)	***
Country-level variables						
Low-income seat	-.03 (.0006)	***				
Left party power			-.03 (.0009)	***		
Union density					-.01 (.0005)	***
Individual-level variables						
Age	.00 (.001)		.001 (.001)		.002 (.001)	
Female	.01 (.02)		.02 (.02)		.02 (.02)	
Married	-.02 (.02)		-.04 (.02)		-.03 (.02)	
Number of children	.29 (.01)	***	.26 (.01)	***	.27 (.01)	***
Working	-.06 (.03)	*	-.02 (.03)		-.03 (.03)	
Number of earners	-.98 (.01)	***	-.86 (.01)	***	-.81 (.01)	***
Low education	.18 (.03)	***	-.02 (.03)		-.05 (.03)	
BIC	52611.42		53727.05		54674.80	

* indicates p<.05, ** indicates p<.01, and *** indicates p<.001.

Table 5.3-1: Poverty on Country-Level Political and Individual Variables with Interaction Terms

Independent variables	Model 8		Model 9		Model 10	
	$\hat{\beta}$ (se($\hat{\beta}$))	Sig.	$\hat{\beta}$ (se($\hat{\beta}$))	Sig.	$\hat{\beta}$ (se($\hat{\beta}$))	Sig.
Intercept	-.46 (.06)	***	-.79 (.05)	***	-.83 (.06)	***
Country-level variables						
Low-income seat	-.03 (.001)	***				
Left party power			-.04 (.002)	***		
Union density					-.02 (.001)	***
Individual-level variables						

Age	.0002 (.001)	.001 (.001)	.002 (.001)
Female	.009 (.02)	.02 (.02)	.02 (.02)
Married	-.02 (.02)	-.04 (.02)	-.03 (.02)
Number of children	.29 (.01) ***	.26 (.01) ***	.27 (.01) ***
Working	-.02 (.04)	-.08 (.03) *	-.12 (.04) **
Number of earners	-.98 (.01) ***	-.86 (.01) ***	-.82 (.01) ***
Low education	-.03 (.05)	-.08 (.04) *	-.16 (.05) ***
Interaction variables			
Low-income seat * working	.003 (.001)		
Low-income seat * low education	.009 (.002) ***		
Left party power * working		.006 (.002) **	
Left party power * low education		.005 (.002) *	
Union density * working			.003 (.001) *
Union density * low education			.004 (.001) **
BIC	52592.76	53739.87	54683.87

* indicates p<.05, ** indicates p<.01, and *** indicates p<.001.

Examining the domestic economic variable as it relates to poverty in Table 5.4, there is a negative relationship. As unemployment goes up, the odds of individual poverty goes down. Employment status and household characteristics together contribute to the probability of being poor at the individual level. It could be possible that this unexpected finding could be an artifact of Europe's more generous welfare states and higher unemployment rates.

Table 5.4: Poverty on Country-Level Economic and Individual Variables

	Model 11		Model 12	
Independent variables	$\hat{\beta}$ (se($\hat{\beta}$))	Sig.	$\hat{\beta}$ (se($\hat{\beta}$))	Sig.
Intercept	-1.05 (.05)	***	-1.04 (.07)	***
Country-level Economic variables				
Unemployment	-.03 (.004)	***	-.04 (.009)	***
Individual-level variables				
Age	.00 (.001)		.0001 (.001)	
Female	.02 (.02)		.03 (.02)	

Married	.002 (.02)		.002 (.02)	
Number of children	.28 (.01)	***	.28 (.01)	***
Working	-.09 (.03)	***	-.02 (.06)	
Number of earners	-.84 (.01)	***	-.84 (.01)	***
Low education	-.02 (.03)		-.24 (.07)	***
Interaction variables				
Unemployment * working			-.01 (.01)	
Unemployment * low education			.03 (.01)	***
BIC	55391.99		55397.37	

* indicates p<.05, ** indicates p<.01, and *** indicates p<.001.

Table 5.5 examines the extent to which comprehensive welfare states'
commitment to social welfare impacts individual poverty. Welfare state
generosity as measured by Brady's (2009a) WSI significantly reduces one's
risks of being poor. Welfare state works well with other individual labor
market and human capital variables to impact poverty.

Table 5.5: Poverty on Country-Level Social Welfare Effort and Individual
Variables

Independent variables	Model 13		Model 14		Model 15	
	$\hat{\beta}$ (se($\hat{\beta}$))	Sig.	$\hat{\beta}$ (se($\hat{\beta}$))	Sig.	$\hat{\beta}$ (se($\hat{\beta}$))	Sig.
Intercept	-1.49 (.05)	***	-.63 (.05)	***	.94 (.09)	***
Country-level social welfare effort variables						
WSI	-.49 (.01)	***				
Active LMP			-.97 (.03)	***		
Public educational expenditure					-.43 (.02)	***
Individual-level variables						
Age	.001 (.001)		.001 (.001)		.002 (.001)	*
Female	.02 (.02)		.02 (.02)		.03 (.02)	
Married	-.03 (.02)		-.03 (.03)		-.05 (.02)	
Number of children	.25 (.01)	***	.24 (.01)	***	.28 (.01)	***
Working	-.06 (.03)	*	-.06 (.03)	*	-.02 (.03)	*
Number of earners	-.86 (.01)	***	-.86 (.01)	***	-.85 (.01)	***

Low education	.08 (.03) **	.10 (.03) ***	-.12 (.03) ***
BIC	53520.37	49682.57	54037.30

* indicates p<.05, ** indicates p<.01, and *** indicates p<.001.

Table 5.3-1: Poverty on Country-Level Social Welfare Effort and Individual Variables with Interaction Terms

Independent variables	Model 16		Model 17		Model 18	
	$\hat{\beta}$ (se($\hat{\beta}$))	Sig.	$\hat{\beta}$ (se($\hat{\beta}$))	Sig.	$\hat{\beta}$ (se($\hat{\beta}$))	Sig.
Intercept	-1.50 (.05)	***	-.58 (.06)	***	1.19 (.19)	***
Country-level social welfare effort variables						
WSI	-.52 (.02)	***				
Active LMP			-1.04 (.05)	***		
Public educational expenditure					-.48 (.03)	***
Individual-level variables						
Age	.001 (.001)		.001 (.001)		.002 (.001)	*
Female	.01 (.02)		.02 (.02)		.03 (.02)	
Married	-.03 (.02)		-.03 (.03)		-.04 (.02)	
Number of children	.25 (.01)	***	.25 (.01)	***	.28 (.01)	***
Working	-.05 (.03)		-.09 (.04)	*	-.17 (.19)	*
Number of earners	-.86 (.01)	***	-.86 (.01)	***	-.85 (.01)	***
Low education	.12 (.03)	***	.10 (.03)	***	-.66 (.19)	***
Interaction variables						
WSI * working	.01 (.03)					
WSI * low education	.08 (.03)	**				
ALMP * working			.05 (.06)			
ALMP * low education			.18 (.06)	**		
Pub Edu Ex * working					.03 (.04)	
Pub Edu Ex * low education					.11 (.04)	**
BIC	53536.11		49695.98		54051.22	

* indicates p<.05, ** indicates p<.01, and *** indicates p<.001.

5.3. Examining Poverty Gap using Luxembourg Income Study

This section reviews post-transfer poverty gap as a measure of poverty. While this measure was not so effective in terms of examining the structural effects on poverty at the aggregate level, it provides a significant contribution to the discussion on the depth of poverty at the individual level. Table 5.6 presents summary statistics of people in poverty, calculated using the LIS data. The poverty gap ratio does not vary greatly across the countries but becomes a meaningful measure when it comes to asking about how far below each individual is to the poverty threshold. It is particularly relevant to the effectiveness of the welfare state as it relates to improving the lives of the poor.

Table 5.6: Descriptive statistics for LIS working age adults (18-65) in poverty

Welfare state regimes	Countries	N	Poverty gap ratio	Age	Female	# of children under 18	# of earners	Working	High education	Medium education
Social democratic	Finland (2000)	389	.29	43.07	.51	.44	.74	-	.37	.41
	Norway (2000)	503	.31	40.39	.48	.49	.70	-	.26	.63
	Sweden (2000)	648	.37	42.38	.48	.61	.71	-	.22	.56
Conservative	Austria (2000)	130	.24	41.19	.51	.71	.74	.80	.11	.68
	Belgium (2000)	104	.25	41.22	.41	.79	.32	.68	.36	.37
	France (2000)	523	.25	39.48	.55	1.01	.61	.64	.26	.40
	Germany (2000)	577	.27	40.10	.55	.77	.53	.75	.17	.52
	Luxembourg (2000)	75	.16	49.56	.45	1.38	.95	.43	.15	.37
	Netherlands (1999)	150	.31	39.81	.44	1.38	.78	.77	.23	.47
	Switzerland (2000)	167	.31	41.70	.56	1.11	-	.74	.21	.62
Liberal	Australia (2001)	937	.31	40.58	.48	1.14	.40	.72	-	-
	Canada (2000)	2,478	.32	40.24	.49	1.17	.92	.76	-	-
	Ireland (2000)	270	.22	40.79	.52	1.29	.46	.66	.18	.29
	UK (1999)	2,265	.35	41.64	.52	1.31	.41	.70	-	-
	US (2000)	5,493	.33	41.55	.52	1.63	.99	.74	.34	.53
Southern European	Italy (2000)	635	.31	41.85	.51	.97	.68	-	.12	.40
	Spain (2000)	533	.27	38.56	.51	.95	.73	.58	.14	.28
All countries		15,877	.32	41.26	.52	1.37	.80	.73	.28	.49

This continuous variable allows HLM analysis to be conducted using SAS. One limitation of the measure is that it is not able to capture the individuals who were able to leave poverty as a result of social transfers. It is only observing people who remained in poverty post-transfer which would indicate the chronic state of poverty experienced by this group. Therefore, one would be have to interpret the findings with care. The research question is: How does welfare state generosity affect the depth of poverty for those who remain poor post-transfer?

Table 5.7: Poverty Gap Ratio on Individual Variables

Independent variables	Model 1		Model 2	
	Coefficients	Sig.	Coefficients	Sig.
Random Effects [Country]				
Intercept	.005 (.002)	**	.02 (.009)	**
Working			-	
Education			.001 (.001)	
Social transfer ratio			.02 (.009)	*
Residual	.07 (.001)	***	.07 (.001)	***
Fixed Effects				
Intercept	.66 (.02)	***	.66 (.02)	***
Age	-.0004 (.0002)		-.0004 (.0002)	
Male	.001 (.005)		.001 (.005)	
Married	-.003 (.006)		-.003 (.006)	
Number of children	.01 (.002)	***	.01 (.002)	***
Number of earners	-.11 (.004)	***	-.11 (.002)	***
Working	.008 (.006)		.008 (.006)	
Education	.001 (.007)		-.001 (.01)	
Social transfer ratio	-.56 (.008)	***	-.59 (.04)	***
BIC	1876.3		1702.3	

* indicates p<.05, ** indicates p<.01, and *** indicates p<.001.

Table 5.7 shows the results from the models without the country level welfare state index variable. The number of children and the number of earners in the household remained consistently significant. Social transfer as a percentage of pre-transfer poverty gap was a new variable that was calculated and entered into these models. This variable captures the individual level welfare state effect on poverty and it has a strong significance in both models. Social transfer ratio also had the between-group significance in terms of affecting poverty. The greater the average social transfer ratio of a country the less the post-transfer gap for the chronically poor individuals.

Table 5.8: Poverty Gap Ratio on WSI and Individual Variables

Independent variables	Model 3		Model 4	
	Coefficients	Sig.	Coefficients	Sig.
Random Effects [Country]				
Intercept	.005 (.002)	**	.02 (.008)	*
Working			0	
Education			.0005 (.0006)	
Social transfer ratio			.02 (.008)	*
Residual	.07 (.001)	***	.07(.001)	***
Fixed Effects				
Intercept	.68 (.02)	***	.68 (.04)	***
WSI	.06 (.02)	*	.08 (.05)	*
Age	-.0003 (.0002)		-.0004 (.0002)	
Male	.0009 (.005)		.001 (.005)	
Married	-.002 (.006)		-.003 (.006)	
Number of children	.01 (.002)	***	.01 (.002)	***
Number of earners	-.11 (.004)	***	-.11 (.004)	***
Working	.004 (.007)		.004 (.007)	
Higher education	.001 (.008)		.001 (.007)	
Social transfer ratio	-.60 (.03)	***	-.59 (.04)	***
Interaction variables				
WSI * Social transfer ratio	-.06 (.008)	***	-.08 (.05)	
WSI * working	-.005 (.006)		-.005 (.006)	
WSI * education	.007 (.007)		.01 (.02)	

BIC	1850.8	1719.1

* indicates p<.05, ** indicates p<.01, and *** indicates p<.001.

Table 5.8 reports the results from the models that include the welfare state index variable. The number of children, the number of earners in the household, and social transfer ratio were consistently significant. Model 3 shows the significant interaction term between WSI and social transfer ratio negatively affecting the post-transfer poverty gap ratio. Welfare state generosity that was non-social transfer related (could suggest non-targeted programs and policies) in fact increased the poverty gap ratio significantly among the chronically poor. In Model 4, there was a between-group significance for country differences in the average social transfer ratio positively affecting individual post-transfer poverty gap ratio.

Chapter 6. Implications for U.S. Poverty

Previous chapters have shown that globalization, politics, and welfare state generosity provide the socio-politico-economic context in which structural poverty could be understood. Although tentative, one can draw from the main findings that politics play a crucial role in light of many institutional risks and opportunities—open global competition and restructuring of the domestic industries and responding via the political system to enhance the welfare state generosity. It is the key mechanism that protects the social rights of the citizens which in turn translates to reduction of poverty. Poverty in this sense is rather an issue of social inclusion for many advanced generous welfare states.

The United States fall significantly behind other rich democracies when it comes to promoting social inclusion. Largely, the experience of dealing with poverty in the United States has been superseded by corporate business interests as the source of employment. This chapter extends Rank's (1994; 2000; 2001; 2004) structural vulnerability thesis and adds another dimension of why American poverty is an inevitable structural consequence economically, socially, and politically.

It is to maintain that there is a hierarchical order by which these structural failings occur using an analogy of a deep-rooted wound (see Figure 1). A structural dependence thesis begins with the idea that poverty exists naturally among those who play the economic game in the market system

(Rank 2004). The problem is not so much that poverty is caused by the economic system but the fact that ideological values and political decisions are structurally dependent on the economic system. Poverty, understood as a systemic condition resulting from market failure, is not adequately dealt with and even exacerbated by the failure of the structurally dependent political system.

In order to further support this argument, first, I provide an account of the way in which the ideological value of individualism in the U.S. supports the market system as the dominant domain by creating an image of self-reliant human beings as the righteous ones. Then, I illustrate how the political system becomes the prisoner of the market system at the macro level. At the more micro level, I discuss how business interests dominate the interest group system (Cahn 1995a) and how moneyed interests obstruct democratic public policy making (Lindblom and Woodhouse 1993).

This chapter revisits some classical works to reopen the argument that the politics of problem definition in the U.S. involve making political decisions that exclude those without power (Bachrach and Baratz, 1963) by keeping other problem definitions at the margin. The structural definition of poverty becomes effectively marginalized in terms of shaping anti-poverty policies. Available solutions for poverty, therefore, in this structurally dependent political environment, are restricted to individually-based ones since changing the structure would mean questioning the market ideology.

In turn, government ends up exercising non-decisions and incremental policy development continues to focus on individual change.

Figure 6.1: Poverty as the Political Wound

ECONOMIC SYSTEM
(Capitalism)
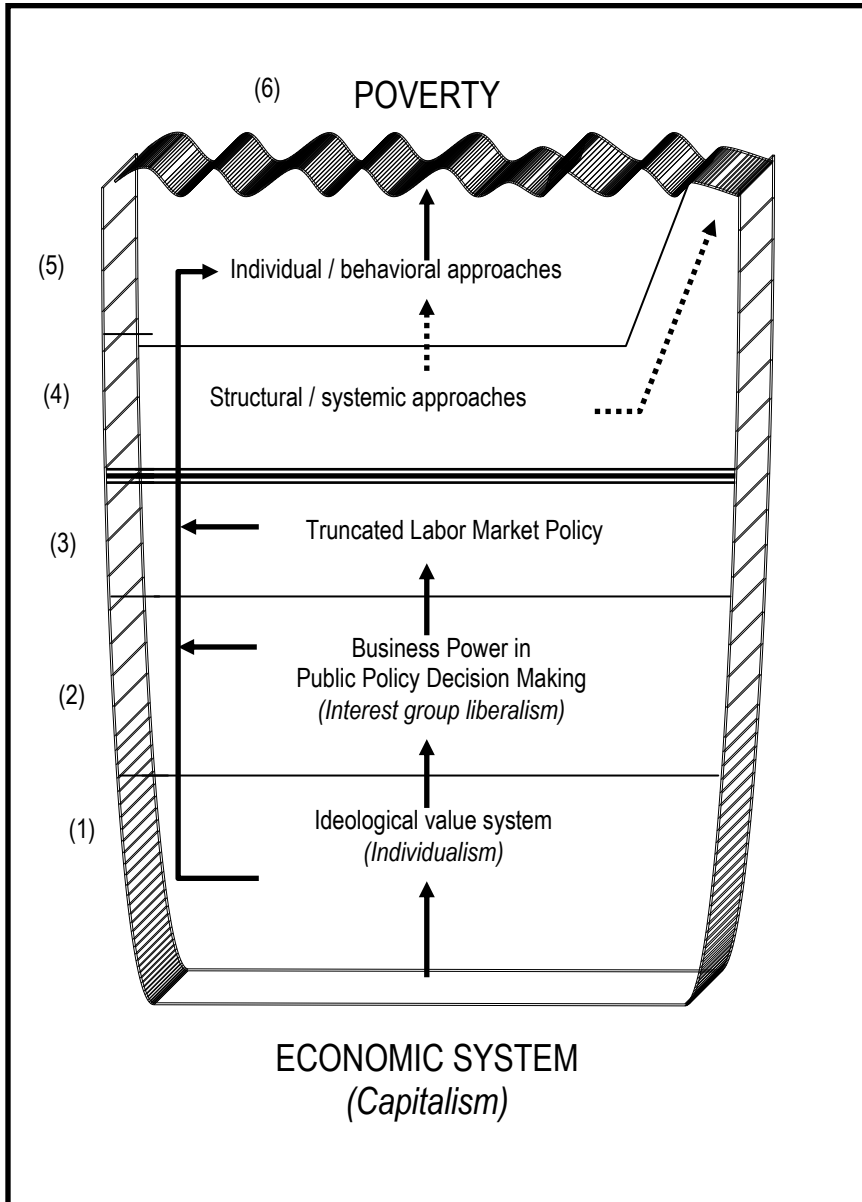
6.1.   Structurally Dependent Political System

6.1.1. Economic System as the Structure: Capitalist Ideology

Dolbeare and Dolbeare (1973, 3-4, 15) define the term ideology as a system of related beliefs about how the social, economic, and political order does and should operate. They see an ideology to be serving important political purposes by providing not only "cues for understanding and evaluating public affairs," but also by serving as "a guide to action, a means of self-expression, and/or as a means of relating to other people" (Ibid, 4). Dolbeare and Dolbeare (1973) further suggest that an ideology tends to resist change and "reaffirms its basic principles strongly, adapting to new conditions and problems only marginally, in patchwork fashion. In part, this is because a network of social and economic interests, institutions, and practices is supported and justified by the ideology" (Ibid, 5).

In accordance with America's dominant economic ideology being capitalism-liberalism, there is a continuing intimacy between economic and political system. In fact, liberalism is the political arm of capitalist economic system and Americans live in a social system that reflects these ideologies in both rhetoric and practice. Both see the economic market place to be the chief instrument through which "individual self-seeking will lead to the greatest good for the greatest number" (Ibid, 17, 25). Dolbeare and Dolbeare (1973) further explain,

Capitalism is an ideology that is concerned with how and why the

economy should be organized. As the economy is never divorced from the state or the society, the principles of capitalism relate to the manner in which the state should be organized and conducted, and these principles overlap substantially with liberalism. Liberalism is an ideology that concerns how and in the service of which values the polity should be organized and operated (Ibid, 18).

Rank (2004) uses an analogy of the musical chair game when describing the nature of the American economic system. He argues that the rules of the game itself in capitalist economy, by definition, produce *losers* in the first place to which the poor become structurally vulnerable. In other words, the poverty wound is created in the natural operation of the capitalist economy. The primary unit of interest in the capitalism is individual rather than community needs where the former can be satisfied by following the profit motive – seeking to maximize personal returns or net reward from all transactions in which they engage (Dolbeare and Dolbeare 1973, 27). Also, by accepting the principle of competition, coupled with profit motivation, capitalism subscribes to the idea that self-seeking individuals will add up to greater progress for the entire society.

Like Rank (2004) pointed out, capitalism is not sympathetic to those who are unsuccessful in the competitive race, viewing them as somehow "unfit or unsuited for the natural rigors and demands of the real world" (Dolbeare and Dolbeare 1973, 28). Artificial forces, such as unions or government regulations of prices, wages, and trade, inhibit the market to function as the natural regulator of the economy. In this regard, the class structure resulting from economic life and the contemporary economic order

of the United States is taken as fixed or given and no fundamental challenge

is raised to the characteristics, principles, or practices of either (Dolbeare and

Dolbeare 1973, 17).

6.1.2. Ideological Value System: Individualism

Ideology is attached to some values, such as equality, stability,

justice, and individualism. Such values are understood and defined by the

ideology, and ranked in priority (Dolbeare and Dolbeare 1973, 9).

Capitalism's major value is individualism – individual self-fulfillment

seen as material self-interest and accumulation. This value emphasizes

the moral responsibility, opportunity, and "the natural rights of the

individual to serve his own needs as he sees fit" (Ibid, 17). It is the

responsibility of the individual to "act purposefully in his own behalf; he

should not be concerned for others, nor should he expect others to serve

his needs for him" (Ibid, 32). Gilens (1999) cites Steven Lukes to outline

philosophical varieties of individualism: (1) belief in the intrinsic value

and dignity of individual human beings; (2) belief in the autonomy of

individuals from social pressures and norms; (3) belief in the value of

privacy and the right of individuals to be left alone to pursue their own

ambitions; and (4) belief in the ability of people to develop themselves in

their own unique ways (Ibid, 32).

Individualism essentially has been a response to America's concern for

tyranny by a majority interest (Hamilton, Madison, and Jay 1961) that translated into a political culture that has evidently feared big government from day one of the nation's existence. American polity is not a structure of government, but a contract between the government and its people whose clauses contain shared values of individualism (White 1988, 24). American political culture, according to Cahn (1995b, 336), is based on the natural or "inalienable" rights of individuals and this liberal individualism creates a dilemma for public policy. Cahn (1995b, 336) uses the term "Lockean individualism" to stress its commitment to individual property rights, which limit the notion of communal rights and create a problematic definition of communal good." American liberalism, with its utilitarian roots, defines the common good as the aggregate sum of individual good. The role of community is to provide the infrastructure to make individual rights possible. In Lockean terms, the role of the community is to create a stable environment for the acquisition, use, and disposition of private property (Ibid, 336).

Simply speaking, individualism refers to a belief in the primary importance of the individual rather than the community (Gilens 1999). Throughout history, Rank (1994, 200) notes, "Americans have enthusiastically embraced individualism." Individualism was embraced originally as a corrective approach to the rigid social hierarchies and norms of the European society. Even to this day, it is reflected in the key characteristics of the American ideal of liberty / freedom – autonomy, self-

reliance, and full compensation for the private self-seeking (Dolbeare and

Dolbeare 1973, 33). The following quote from a blue-collar worker

typically illustrates Americans' adherence to this ideological value:

> My God, I work where I want to work. I spend my money where I
> want to spend it. I buy what I want to buy. I go where I want to go.
> I read what I want to read. My kids go to the school that they want
> to go to, or where I want to send them. We bring them up in the
> religion we want to bring them up in. What else – what else could
> you have (White 1988, 24)?

Indeed, individualism is about "the insistence upon full opportunity for

individual choices and action" (Dolbeare and Dolbeare 1973, 33). However,

what this person does not speak to is the fact that individualism also expects

individuals to be accountable for their actions and accept the consequences

whether good or bad.

This value, or this distinct "culture trait", is viewed here as a

mechanism to legitimize capitalist competition, which turned individualism

into a public *ideological value* in America (Lowi 1979, 40). As such,

individualism as the ideological value restricts poverty to be perceived more

as an individual problem rather than a structural one. Ideological values

attached to individual explanations of poverty play a major role in defining

poverty, advising some strategies for coping with the problem of poverty

while rejecting others (Loewenberg 1974; Jennings 1994). One example

would be understanding poverty based on the individual choice theory

developed by Friedman (1953). It posits that the distribution of measured

incomes at a point in time is "to an important extent determined by

individual choice among opportunities that yield both different combinations of cash income and non-pecuniary advantages, and different profiles of cash income over time" (Johnson 1973, 221). More specifically, according to the words by Theodore Schultz (1965), measured poverty is a consequence of voluntary choice. Some people may look worse off in terms of measured income, whereas they may be better off in terms of utility based on their choices. What to do about poverty in this instance would be to help individuals make better choices in life that will improve their chances of earning a higher pay in the labor market.

Dolbeare and Dolbeare (1973, 9) suggest that ideologies seek to attain "the conditions, institutions, and policies that will permit realization of their values" by way of defending the status quo, drastic changes, and the development of a series of interim goals. In the case of individualism, a value representing the capitalist ideology, the status quo is preferred as the government is prevented from taking the lead in forming a social consensus on distributive justice. While some societies have taken steps toward guaranteeing a decent level of well-being for all, the United States remains reluctant to interfere with individual freedom. Any change to this, as Dolbeare and Dolbeare (1973, 11) would say, will depend largely on the power distribution within the society – "how those in power will force obedience to the rules that sustain the existing order." Individualism and the power structure that support this ideological value can be challenged only when the

conditions are no longer favorable to achieve individual success for everyone through practices and policies based on individualism.

6.1.3. Business Power in Public Policy Decision Making

Liberalism's image of politics in the United States has been termed pluralism (Lowi 1979) or pluralist democracy (Dahl 1967) by some scholars. Liberalism sees interest group activities as the leading characteristics of American politics, "the means whereby the contemporary political market is kept open and responsive to popular preferences" (Dolbeare and Dolbeare 1973, 59). Interest group is one of the major linkage mechanisms – i.e., political parties, media, and election – that provide information about the public interest to the government leaders. However, when the interests of economic elites cohere and dominate in key policy areas rather than compete equally (Parenti 1970), it challenges Madison's democratic idea of curing the effects of the mischiefs of faction with checks and balances at all levels of the government (see the Federalist, No. 10 in Hamilton, Madison, and Jay 1961). In this sense, the American pluralist system is thwarted in terms of being structurally captive to the economic environment at the macro level and by the growing power of business interests at the mezzo level.

Madisonian design of the American political system to encourage competition among groups and reaching equilibrium in these varying interests was seen as the way for defining public good (Lowi 1979). Pluralist representation assumes that the best policy decisions emerge from clashes of

interest groups in the political arena. This is the process by which issues get

freely and openly discussed and an overall balance of power is maintained.

However, this is an ideal type in the Weberian sense. The idea behind

pluralism was to provide a structure of power with capacity to resist central

political control by any given faction. However, in practice, a market version

of pluralism came in the form of interest group liberalism, which sought to

maintain privileged positions of moneyed interests (Lowi 1979, 58-60). The

conservative tendencies of interest group liberalism were observed in its

resistance to change (Lowi 1979, 60).

Interest group liberalism differs from the original idea of pluralism in

that it condones specific groups, capturing and controlling parts of

administrative agencies without having to compete for policy rewards, which

Lowi (1979) found to threaten the democratic basis of government.

Complexity of issues in present world environment invites different players

into the stage of framing and defining issues. Interest groups are frequently

responsible for bringing the issue to light in the first place (Berry 1997, 7).

Whether small or big changes follow, the process of public policy making

points out that interest groups play an important role at the agenda setting

stage[i] (Kingdon 1989). In the United States, business interests often control

the agenda in the policy process by maintaining a privileged position

(Lindblom and Woodhouse 1993). This makes the task of intelligent,

democratic governmental policy making extremely difficult (Lindblom and

Woodhouse 1993, 102).

Many studies have documented how America has witnessed a huge proliferation of interest group activities since the late 1960s (Berry 1997; Schlozman and Tierney 1986; Walker 1983; 1991). This as a result expanded the interest group system, which comprises the business, trade associations, professional associations, unions, nonprofits and citizen groups, government organizations, and others (Schlozman and Tierney 1986). The past interest representation system has once been dominated by large peak associations or umbrella groups (Heinz, Laumann, Salisbury, and Nelson 1993, 374). Namely, some examples would be the American Farm Bureau in agriculture, the American Petroleum Institute in energy, the American Medical Association in health, and the Chamber of Commerce, the National Association of Manufacturers, and AFL-CIO in labor (Heinz et al. 1993).

However, much more diverse sets of actors – particularly individual businesses – participate directly to influence political decisions these days. Business groups have come to generate strong voices within the political system by acting as an interest in society (Berry 1997; Vogel 1989). Schattschneider (1960, 31) contend that the business community is by a wide margin the most highly organized segment of our society[ii]. Since the Progressive Era when modern liberalism first started to take shape, the business interests have grown to make up predominantly a large proportion of the interest group system. Even prior to 1920, the number of trade

associations and related economic interests were larger in aggregate numbers than any other categories of interest groups (Tichenor and Harris 2002).

Heinz et al. (1993) estimated that the number of major businesses strategically operating offices in Washington was 50 in 1961 and 545 in 1982. Using the data from the 1996 Lobbying Disclosure Reports, Baumgartner and Leech (2001) indicate that more than half of the Washington lobbying community consisted of businesses and trade associations when they examined both direct lobbyists and clients of lobbying firms. Businesses alone were the largest lobbying group in Washington from the standpoint of total registrations (43%), followed by trade associations (16%), based on their study of 5,907 lobbying activities. Business and trade dominance is also prevalent when examining the degree of activity, as they together added up to 63% of the reports filed and 63% of the issues mentioned (Baumgartner and Leech 2001, 1196).

Furthermore, it is worth noting that the businesses and trade are by far the best endowed. Out of the total aggregate lobbying expenditures of $822,765,784 reported in 1996, businesses and trade taken together accounted for 78% – 56% and 22% respectively – which was nearly 9 times more than citizen groups and nonprofits (Ibid). Business dominance is even more pronounced when observing how the number and type of interest group representations are distributed across a sample of 137 issues (Ibid). This extremely skewed distribution overall and the breakdown by different

categories of interest groups suggested that business advantage was generally evident but was even more distinct in the cases where the fewest, especially one or two, interest groups were active. The top 10% of the cases attracted more than 10% of the interest group activities, while the bottom 10% attracted much less than 1% of the total activities. The proportion representing the interests of business rose from 57 percent to 72 percent since 1960. However, the proportion of citizens' groups decreased from 9 percent to 5 percent of all organizations and the proportion representing labor plummeted from 11 percent to 2 percent (Schlozman and Tierney 1986, 77-8).

The central cleavage in the American political system is the clash between social elements organized around the business community and those organized around government and not-for-profit institutions in the public sector[iii] (Walker 1983, 392). Therefore, it makes a great difference whose game is played in politics (Schattschneider 1960, 48) because the rules of the game determine the requirements for political success. Criticizing the pluralist approach of mobilizing interests, Schattschneider (1960) wrote, "the flaw in the pluralist heaven is that the heavenly chorus sings with a strong upper-class accent" (cited in Baumgartner and Jones 1993, 11). Business has been able to mobilize the social bias around the idea that the market is the primary source of jobs, and that any harm to the business is a threat to survival as a society (Lindblom and Woodhouse 1993).

6.1.4. Truncated Labor Market Policy

If economics is so central to American social development, why has the range of policies that sought to promote employment or modify the operation of the labor market been so truncated in America? Weir (1992) provided a detailed historical analysis of employment policy development by examining how citizens and politicians came to define problems, how they understood the range of choices open to them, and how they interpreted interests attached to a given set of possible policies. Instead of considering policy as a direct product of preferences of politicians and voters, Weir (1992) stressed 'what is possible' or 'what government is able to do' as critical to determining how problems are defined. This was outlined as the process of possible solutions shaping public decisions rather than about what is desirable.

Central to Weir's argument in this seminal work is that employment policy was organized and implemented in ways that progressively narrowed the realm of the possible and desirable. Policy decisions reached in the 1940s restricted the scope for later initiatives leading to 1980s by channeling debates and subsequent political activities along distinctive paths. She points to the remedial and ad hoc nature of American employment policy that added to frustration in lack of innovation. Then, she illustrates the ways by which noninterventionist Keynesian stabilization policy emerged as the major employment policy in the United States.

Next, she details the evolution of labor market policy as it became subsumed into the War on Poverty in the 1960s and as it took the form of public service employment during the 1970s. By emphasizing racial differences as it attached to the low end of the labor market, employment policy attracted various oppositions for being a special interest measure to African-Americans. Also, because it was based on the limited capacities of federal government, particularly with the Department of Labor, it was criticized for waste, fraud, and corruption in administration. The latter half of the 1970s can be characterized by the failure of attempts to establish planning mechanisms and forums for tripartite cooperation.

American exceptionalism in policy-making coupled with constraints in American politics and culture can be linked to the sequence of changes and the ways in which policies collide with unanticipated events (p.162). Weir (1992) supports how factors such as economic pressures, social movements, and politicians push policy outcomes one way that particular policy decisions become contingent on these uncontrollable circumstances. The economic boom that followed World War II bolstering the argument against the passage of Full Employment bill, the emergence of the southern civil rights movement and urban riots in the 1960s, the collision of employment policy with black political mobilization, President Kennedy's assassination, and the escalation of Vietnam War were all contingent factors affecting the remedial form of employment policy.

These policy decisions exercised an enduring effect on future possibilities by limiting the kinds of choices likely to emerge for consideration (Weir, 1992). Referring to this bounding effect as boundaries, Weir (1992) argues that existence of Council of Economic Advisors further limited the problem definition of unemployment caused by insufficient macroeconomic stimulation and lack of job readiness among the poor. Also, prior establishment of state-level system of vocational education, which was poorly linked to the labor market, helped narrow the scope of policy. Established arrangements characterized by scant interests that organized labor expressed in enhancing the training capacities of American government left the business to shape the market-oriented employment policy.

All in all, a comprehensive employment policy was undermined by the very lack of interplay between ideas, politics and administration. Public philosophy and research as ideas served little to support planning for a comprehensive employment policy. Defining unemployment problem to be more individual rather than resulting from operation of the economy did not help to form a political rhetoric for more government responsibility in the domain of employment. Furthermore, the history of administrative failure was in no position to influence innovative employment policy. In turn, the resurgence of neoclassical assumptions about unemployment provided a rationale and language for the new politics of employment in the 1980s.

6.2.   Structural Dependence of Public Will

Marginalization of *structural poverty*—poverty understood as a structural condition resulting from the market's failure to include everyone—is exacerbated by the structurally dependent public will. Iversen and Armstrong (2006, 206) assert that public will is "freedom and responsibility of choice and choice making that is based on the foundational American principles of fairness and real opportunity." They contend that these principles are "obscured by geographic and political dispersion and by neoliberal reliance on the market to solve all ills and needs" (Ibid, 9). The market certainly enjoys the upper hand over the public will, as the latter is conditioned by how the former defines the degree to which fairness and real opportunities are acceptable and do not hurt the interest of the market.

Frustrated liberal social scientists charge that ideology and politics are to blame for the "paradox" of "poverty amidst plenty" (O'Connor 2001, 3). An *ideology* is typically "held by some segment of politically active people and it has the potential of gathering support and affecting American politics" (Dolbeare and Dolbeare 1973, 3). A dominant ideology, which is capitalism-liberalism in the case of the United States,

> may be so pervasive, so all-encompassing, that it is not even perceived by observers and analysts. Or the observers and analysts may be more or less willing parties to the routine task of using that ideology for social control purposes—in this case, for the purpose of persuading others that the structures, policies, and practices (and the result thereof) of ruling elites were inevitable, desirable, and widely accepted by all strata of the population (Dolbeare and Dolbeare 1973, 1).

Generally speaking, the capitalist economic life is central and politics occupies a strictly secondary sphere (Ibid, 56). Liberalism, in its classic usage,

is much like capitalism in that it stresses "primacy for the individual and strict limitation upon governments to ensure full freedom for the individual to serve his needs as he saw fit" (Ibid, 55). Capitalism and liberalism both share the basic value of individualism. Having its roots in John Locke's idea that individuals have the right to have their property secured, in liberalism's conception the sole purpose of government was to protect this natural right of individuals. As capitalism became more prominent, liberalism evolved to apply capitalist principles to the organization and operation of government. Dolbeare and Dolbeare explain this process as follows:

> Liberalism's worldview not only assumes that the political system's task is to support and promote the operating capitalist economic system, but it views the political process itself through capitalist economic concepts. Politics is seen as a free market for the exchange of demands, support, and public policies. Each individual has his specific wants and equivalent purchasing power—one vote. He *buys* the policies and candidates of his choice in the competitive market on election day. If the products are not available, the demand will soon create the supply. Officeholders act as brokers, adjusting government policy products to the wants of the number of consumers necessary to obtain the votes of a majority. In this fashion, participating individuals control major government policies, which in turn may be understood as flexibly responding to changing popular preferences and representing the public interest. In realistic and modern language, this is democracy (Ibid, 57–58).

On this note, Bowles and Gintis (1986) were not shy about claiming that democratic institutions have been mere ornaments in the capitalist economy and that both liberty[2] and popular sovereignty[3] have been sacrificed to securing economic hegemony. Similarly, Hofstadter (1948) argued that for the framers of the U.S. Constitution, political liberty was tied to *property* and not to *democracy*. This argument supported Beard's (1935) historical

analysis, in which he asserted that the self-interested economic elites drove the creation of the Constitution from the very start at the expense of the debtor classes—that is, the disenfranchised and small farmers. The resulting political economy of the American society was the direct manifestation of the framers' principle, which gave the market an upper hand over democracy (Cahn 1995a).

If one typifies political and economic development as path dependent with increasing returns (Pierson 2000), one could argue that the Constitution was the critical juncture of politics and economy; it has had long-lasting consequences with positive feedback to this very day. As such, the market continues to dominate the political life in America. The structural dependence (Przeworski and Wallerstein 1988) of the government on the market provides the context within which business interests benefit from their privileged positions (Block 1977; Miliband 1969; Lindblom 1977). In this sense, the market can be characterized as a "prison" that limits political change and discourages attempts to improve political institutions (Lindblom 1982, 329).

It is a prison in the sense that often the market is treated not as a variable but as the fixed element around which policy must be fashioned (Lindblom 1982, 333). The market is an automatic system that triggers punishment in the form of unemployment or slow economy. Many types of institutional changes are of a character that the market does not like;

consequently, it reduces the inducements to provide jobs and performs its functions less effectively. In this market-based structural environment, the desire for reelection locks up politicians and forces them to favor business interests over public interests (Lindblom and Woodhouse 1993; Smith 1999).

One example that best characterizes this structural dependence is the employer-centered low-wage labor market. Government plays little role other than to reinforce the employers' demands. The market stays constant and the job seekers become variables in the equation of top-down labor matching that is designed to bring together the low-skilled workers (labor supply) and the employers with low-paying jobs (labor demand). While local companies and other institutions wrestle with the forces of globalization and restructuring, the market faces almost no challenge to be more inclusive when survival is the priority. In other words, the main focus of workforce development has been on changing the "qualities and capabilities" of workers themselves (Melendez and Harrison 1998, 3), rather than on addressing the structural conditions of labor mismatch that are heavily weighted toward the demand side.

Seccombe (2007) points out that welfare is a problem of the low-wage labor market's inability to provide adequate income for low-income families, rather than of the demoralizing system itself. Moving people from welfare to work by human capital development (HCD) and labor force attachment (LFA) depends on how the demand side of the labor market pictures a qualified

worker. According to Holzer (1998), employers identify absenteeism and basic skill readiness as potential problems for welfare recipients seeking employment. During the employer screening process, particular credentials such as a high school diploma, work experience, and references are widely used (Holzer 1998). Notably, specific experience/training and passage of certain tests are required by some employers. Based on these screening devices, the top-down matching process begins by preparing welfare leavers to become work-ready or employable.

Regarding the issue of public housing, the Chicago Housing Authority's (CHA) *Plans for Transformation* is a good example of how developers' interests dominate over those of residents (Bennett, Smith, and Wright, 2006). The CHA process focuses heavily on transforming buildings and deconcentrating poverty through relocation vouchers, and establishes stringent self-sufficiency criteria for former public housing residents to move back into newly developed mixed-income neighborhoods (Bennett, Smith, and Wright 2006). When the public will stays structurally dependent and the economic structure is kept constant, individual explanations of poverty will by default continue to overshadow structural explanations that require systemic change to address the problems. Because of this entanglement, ensuring basic human rights and advancing the common good are distanced from the main goals of the U.S. anti-poverty policies.

This chapter maintains that the structural dependence of public will discourages poverty from being recognized as a public problem, and therefore allows the government to remain passive and follow policies that are guided by individual-based problem definitions of poverty. Releasing the public will from structural dependence should provide a context in which structural poverty is recognized and reflected in public policy debates and formulation. The challenging reality before us, however, is an employer-centered, low-wage labor market around which many policy and program alternatives are formed. Achieving self-sufficiency has gained ground as a new approach to helping the poor achieve the American Dream, in rejection of welfare dependency that has been politicized as the cause of trapping many people in poverty.

6.3.   Glocalizing Strategies to Combat Structural Poverty

6.3.1. The End of Structural Poverty—Thinking Globally

The idea that people ought to be self-sufficient or self-reliant prevents many Americans from reaching out to others to receive or provide help. With very little political challenge, this notion of self-sufficiency has become the political engine of public policy. The post-welfare-reform policy practice in the nonprofit sector uses this concept as its main goal and measure of success. In fact, self-sufficiency is a myth (Shain 1994). No one in this world is truly self-sufficient. All people have to rely on others to produce various goods and

services to meet their needs. For instance, one has to rely on others to produce milk, meat, bread, books, computers, and other necessities in life that get exchanged in the market. Also, workers are labor-market dependent, relying on the availability of jobs, payment of wages, and the possibility of positions opening up. Even some unemployed rich and upper-middle-class members remain family dependent for maintaining financial security.

Instead of demonizing dependency as a social ill or failure, individualism as *the* market value should be complemented with greater emphasis on community and cooperation (Dolbeare and Dolbeare 1973, 20). Society is made up of interdependent individuals, so it is vital to understand economic mobility as a relational process that "leads toward the establishment of genuine trust and reciprocity in the intersecting relationships among education and workforce development institutions, workers and firms, as well as families, firms, and children's schools" (Iversen and Armstrong 2006). To achieve any social or political change, individualism must be accompanied by the common-good approach that values everyone in a mutually dependent society.

What, then, can be done at the global level to restore the public will? This article proposes a *glocalization* strategy, which is a hybrid between global thinking and local action. Thinking globally to end structural poverty begins with the understanding that global disparities in economic development threaten world security. Mindful of this concern, Sachs proposed to achieve the

Millennium Development Goals (MDG) by performing differential diagnoses, accompanied by an investment plan, a financial plan, a donor plan, and a public management plan suited to the particulars of the local context. He also suggested that ending extreme poverty by 2025 will require addressing the debt crisis, global trade policy, science for development, and environmental stewardship at the global level. A global network of cooperation, in which the richest countries commit to fight poverty, is essential for achieving these goals. A movement toward an enlightened globalization is promoted to "address the needs of the poorest of the poor, the global environment, and the spread of democracy" (Sachs 2005, 358).

Capitalism is an ideal-type ideology. When power gets mixed into an ideal type, which is quite common in human history, it becomes something other than the best intention behind the idea. As for the market, its welfare function continues to be minimized by externalities. This jeopardizes not only the people who do survive the competitive market demands for labor, but also those who get left behind, particularly as the middle class starts to join the ranks of the working poor. Nathanson (1998, 137) states that once jobs become scarcer, and as poverty persists amidst extraordinary plenty for some, the impetus toward greater economic justice will be strengthened. Establishing a global social-policy system (Deacon 1997) would provide a safety net for people who become victims within the global capitalist market.

Reforming or revising the degree to which America is committed to the capitalist ideology is important when it comes to the welfare of people (Seccombe 2007). A social-reform approach would have to focus on "making capitalism work" in the interest of renewed public will to promote fairness and real opportunity (Iversen and Armstrong 2006). Public commitment to providing publicly endorsed and funded work supports, affordable pay, and benefits matters in encouraging upward mobility. Effective workforce development efforts require a collaborative venture among employers, community-based organizations, the public sector, and educational institutions. Iversen and Armstrong (2006, xli) cite Hart (2005), who argued that this reform would have to be an inclusive practice: "By creating a new, more inclusive brand of capitalism, one that incorporates previously excluded voices, concerns, and interests, the corporate sector could be the catalyst for a truly sustainable form of global development—and prosper in the process." Bennett, Smith, and Wright (2006, 310) asked "Where Are Poor People to Live?" and called for national and local public commitment to affordable housing:

> Fundamental human rights have been undermined by recent trends in U.S. public housing policy. . . . To develop new housing programs that meet the needs of America's low-income population via locally sensitive, publicly responsive institutional mechanisms actually looks like a meaningful, manageable step in reconstituting United States public policy.

One thing that is critical to combating poverty at the policy level is to have this condition regarded as a public problem. Considering Wood and Doan's (2003) threshold model, individuals are more likely to voice their discontent

when their perception of the social nonacceptance rate is lower than the actual nonacceptance rate. The breakpoint for change from the silent (no-action) state to public-outcry (public-problem) status is the point at which the perception corresponds to the actual rate of nonacceptance. Creative bridging of this gap will be key to transforming poverty from a mere condition to a public problem.

First, it will be important to accurately and regularly report the results of public opinion polls on poverty, and to promote public education about the structural effects of poverty on the rest of the society. Second, it will be vital to provide evidence, informed by sound research, that poverty in many ways is not a consequence of choice exercised by the poor. Third, it will be crucial to reinvent the mental image of poverty by influencing the media portrayal of poverty. These measures are especially important when it comes to reimaging poverty among children and families who play by the rules. Parents who have to work two jobs to try to make ends meet face difficulties finding time or energy to parent. The employment and poverty issues quickly become a parenting issue that would plague any similarly beleaguered family. Children often end up taking care of themselves, with all the consequences that result from that for their well-being.

Adapting a conflict resolution model offered by Johan Galtung (1999), we can seek reconciliation between the individual and structural explanations of poverty. Figure 1 depicts a way in which an agreement on

poverty can be achieved between Party A (i.e., individual problem definition) and Party B (i.e., structural problem definition). Party A holds a problem definition at point A (a,0) while Party B maintains its own at point B (0,b). Both Parties A and B are most satisfied when their problem definitions are each accepted, which will give a total gain of (a x b)/2, or the entire right triangle below the line connecting the two positions. Consequently, there is a natural tendency to exercise policy monopoly by these parties in competition.

Figure 6.2: Towards an Inclusive Problem Definition of Poverty
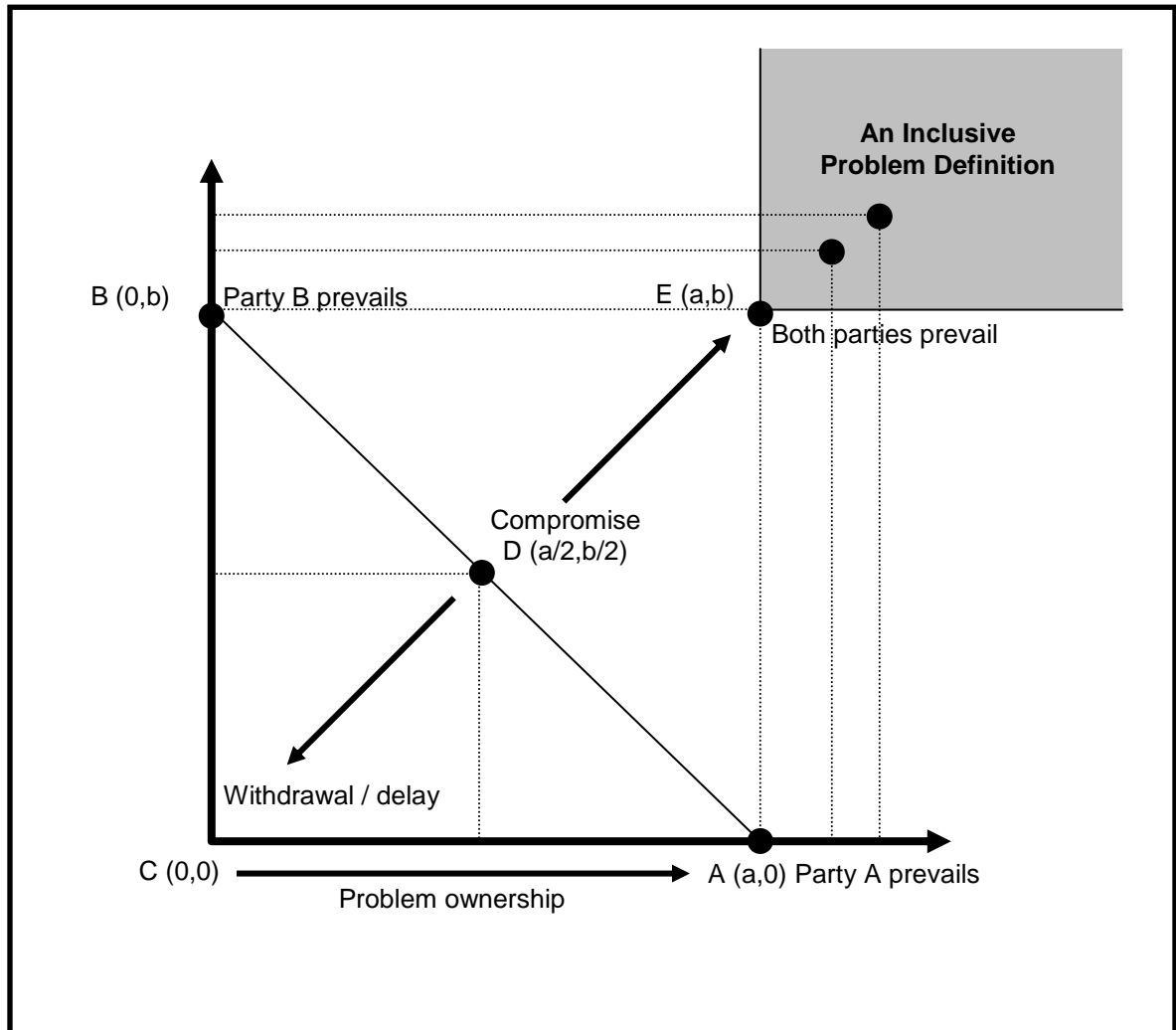
This win-lose conflict situation cannot be resolved by the compromise of meeting halfway at point D (a/2, b/2). This is because both parties would have to sacrifice some portions of their desired definitions, and only gain the small square area within the triangle ([a x b]/4), instead of their potentially most satisfying gain of (a x b)/2. Therefore, point D (compromise) could never be achieved between the individual and structural problem definitions of poverty, because D is not a stable condition and the continued tension would stabilize only when the new equilibrium was reached at point A, B, or C. When the public is split on its view of poverty, both parties will withdraw and stabilize at point C (0,0), where the default individual explanation gains ground.

Social policy entrepreneurs should take the lead in reframing or refocusing the issue of poverty within the concept of well-being or social inclusion, and bring the two explanations to a common acknowledgment that a problem of poverty exists reciprocally at both the individual and structural levels. Point E (a,b) is where both parties prevail, because the boxed area defined by (a x b) is inclusive of both problem definitions and the focus on poverty has been shifted to a broader concept. Both individual and structural approaches, proposed according to their respective problem definitions, could be attached to solutions to improve the well-being of people. This is the minimum threshold point at which an agreement can be reached, by giving both the conservatives and the liberals a winning ticket. When we transcend

the conflict between the two major explanations on poverty, an agreement on strategies to tackle poverty as a public problem can be achieved anywhere beyond this point in the shaded area, as a win-win solution.

6.3.2. Acting Locally for Inclusive Labor Market Development

Arguably, American capitalism is no longer an economy constrained by the national boundaries. Monetary stability will trump state sovereignty when increased international trade and investment require a stable currency value of a given country (Nitzan 2001). Therefore, when government can play only a very minimal role in balancing the market to protect the public interest of all the people, a proactive approach to reforming the market dominance must be accompanied by a bottom-up approach. The second part of the glocalization strategy—acting locally within the global paradigm— suggests local development of an inclusive labor market system.

In *A Preface to Economic Democracy* (1985), Dahl addressed the fundamental question of what core values constitute or underlie a just society and how Americans or world citizens could build a system that incorporates these values. He challenged the current American system, which does little (or is incapable of doing much) to protect the fundamental democratic values of equality, liberty, and justice. He suggested that a system of self-governing enterprises—a workplace democracy—would be one in which equality and

liberty could balance out by extending democratic principles into the economic order.

This idea presents worker-owned and worker-controlled enterprises as a better foundation for democracy, political equality, and liberty than the current system of corporate capitalism. The main concern is that the older vision, based on an equality of resources maintained by the American citizen body of free farmers, no longer fits the new economic order. This new reality is constrained by economic enterprises that have heightened the inequalities among citizens in terms of wealth, income, social standing, education, knowledge, occupational prestige, and authority.

Dahl compared his postulated self-governing enterprises to corporate capitalism and found several advantages in the former. For example, self-governed economic enterprises would make the task of regulation and redistribution much easier than in a system of corporate capitalism. Also, Dahl saw that full and equal citizenship in economic enterprises would greatly reduce the adversarial and conflictive relationships within firms, and therefore in society and politics at large. Moreover, it could create participatory democracy and produce changes in human behavior. He stressed that the nature of this system would "reduce the conflict of interests, give all citizens a more nearly equal stake in maintaining political equality and democratic institutions in the government of the state, and facilitate the

development of a stronger consensus on standards of fairness" (Ibid, 1985, 110).

Further, Dahl emphasized the importance of democratically governed economic enterprises by highlighting the importance of a democratically governed state. By exercising the right to govern democratically within economic enterprises, he asserted, one can possibly attain the goals of political equality, justice, efficiency, and liberty. However, he did note the limitation that self-governing enterprises would still require a central government to exercise authority over many important matters irresolvable within the market system alone: military actions, foreign affairs, fiscal and monetary policies, social welfare, and others.

What did Dahl suggest for a new economic order if we were to make changes? He pointed out five goals that must be met to ensure political equality, the democratic process, and primary political rights: justice, economic fairness, efficiency, a good form of government, and decentralization of power. To achieve these goals, he recommended establishing an economic order that would decentralize many significant decisions among autonomous economic enterprises; that would operate within the market system; and that would function under democratically imposed laws, rules, and regulations. He argued that self-governing enterprises achieve these goals, and consequently greater equality and liberty, much better than the system Americans currently possess.

Schumacher (1973) was an early thinker in proposing "smallness within bigness" as a strategy for effective operation of a large organization. This view maintains that effectiveness in large capitalist systems or governments is preserved when their elements or constituents behave as a network of small organizations. Offering a holistic approach in dealing with the multiplicity of economic stressors, this type of community-based practices can best address structural poverty by first developing individually tailored, need-based program planning for working-poor families (Wall et al., 2000).

To support the discussion of glocalizing the economic enterprise, this article ends by introducing the model of *community-based enterprise (CBE)*, which Peredo and Chrisman define as "a community acting corporately as both entrepreneur and enterprise in pursuit of the common good" (2006, p. 310). Through this process of reclaiming community power, individuals and families can rebuild self-efficacy and social fabrics. Members of the community collectively assemble a social vision, which is accompanied by creation of community-based market opportunities. CBE is process driven and encourages close participation of community members as key players in ownership, management, and employment. CBE also promotes entrepreneurial activities based on available community skills, thereby being more sustainable than a model based on business demands. Community's social vision and local resources shape local alternatives for economic and social objectives. Through a participatory decisionmaking process, CBE

addresses "the diversity of needs at both the community and individual/family levels" (Ibid, 323).

Using the CBE theoretical perspective, a bottom-up community building approach can facilitate market creation and venture opportunities that are rooted within the community. This could take the form of collaborative partnerships with community resources (schools, cultural centers, churches, hospitals, banks, etc.), businesses, and human service agencies to generate a holistic support system that ensures economic well-being of individuals and families. All these require a strong public will at the community level, but not necessarily at the national or global levels, to encourage multi-institutional collaboration and to promote the common-good approach.

Chapter 7. Conclusion

This dissertation found in the earlier chapters leading up to the multilevel approach that social welfare effort in the global context is determined more by socio-economic development than political development. However, politics play a rather important role when the analyses become more controlled and executed among 17 affluent democracies. Globalization and politics play a more significant positive role on social welfare effort among the advanced democracies. Globalization also has a positive effect on politics. Poverty at the aggregate level based on a series of bivariate analyses is not associated with globalization but with politics and social welfare effort. Local determinants of poverty show that human capital and demographic variables significantly affect poverty, but with differential effects of human capital for the poor compared to the near poor.

Results from the multilevel analyses indicate that individuals who reside in countries with higher degree of globalization and greater left political power are less likely to be poor. Plus, those residing in countries with higher welfare state generosity and active labor market policies are less likely to be poor. Controlling for individual level demographic and human capital variables, the global and nation level structural variables were found to be significant. Individual poverty is affected by: (1) globalization; (2) politics [representation of the poor; cumulative left party power; and union density]; and (3) social welfare commitment [welfare generosity; active labor

market policies; and public educational expenditure].

What does this mean for the politics of poverty in the United States? Without any doubt, throughout the history of humankind, there have always been those who were poor because of their laziness, incompetence, and making wrong decisions in life, who have been labeled as the "undeserving poor" (Burton 1992, 24; Gilens 1999, 66; Schiller 2001; Spicker 1993). The contrast between Americans' desire to help the poor and their equally strong desire to cut back on welfare spending springs from the public non-acceptance of the latter between the deserving poor and the undeserving poor (Gilens 1999, 66).

The deserving are those who try to help themselves and share a commitment to individual responsibility rather than those who prefer to rely on the government for support. However, one cannot generalize their lack of motivation to their own fault alone. The contemporary American society is much more multifaceted than to simply allow individual explanations to take credit for being the main cause of poverty. To attribute poverty in general to this view needs a premise that it is possible for most of these people to escape poverty if they made efforts to do so.

It is difficult to perceive that contemporary America is a land of freedom that will provide what every hard working individuals could make something of their abundant opportunities (Hacker 1998). Levy (1998) supports this with a skeptical view on the labor market capacity that there

has been an increase in skill bias that reduced opportunities for less-educated

labor in all industries beginning in the early 1980s. The term American

Dream for many people seems to have lost its meaning to become what the

word itself literally spells out – a dream unreachable for many more people

as society came to develop more on the highly competitive capitalist ground

(White 1988; Rubin 1994; Schwartz 1999).

Hacker (1992, 30) wrote about his concern that this society places so

great a premium on getting ahead in the market system that "it cannot spare

much compassion for those who fall behind." Those who fall behind in the

United States tend to be blamed for their individual lack – lazy, hostile,

violent, not wanting to work, low IQ, culture of poverty – rather than to be

considered victims of institutional discrimination or other structural

inequities (Hacker 1992). The perception on poverty still, in great degrees,

remains attached to the individual explanations (White 1988). This

represents what the United States over the years decided to do about poverty

as a society. Along this line, Loewenberg (1974) noted:

> How a society defines a problem will specify in large measure the
> intervention techniques that can be utilized… The various
> strategies designed to intervene in poverty or to alleviate its
> effects are chosen not for their effectiveness but because they
> promote or interfere with our major value systems. Thus,
> training programs are nearly always favored because they seem to
> be geared toward work; whether or not the training is for real jobs
> is almost beside the point (p.47).

Then, is America out of luck in terms of doing something collectively

about the condition of poverty? The answer to this question would be a simple "yes" if the discussion were to end by highlighting the structural dependence of the political system, discouraging poverty from being recognized as a public problem, and therefore the government remaining passive with policies that are guided by individual problem definitions of poverty. Demonizing the business interests as "one big happy family, united around a common agenda of goodies they want from the federal government" (Berry 1999, 6) would only resort to radical solutions such as not playing the current game of capitalism or changing the game itself.

However, the answer to the question offered here is a very difficult "no," because many possibilities exist within the system of capitalism yet the poverty wound has to be treated by each layer that keeps the wound from healing. And by no means any one of these layers offers an easy or simple solution and they have to be addressed in a coherent manner. This paper concludes that progressive innovative community/social development strategies and counter mobilization of interests by the citizen groups could bring the cycle of economic dominance back into the hands of the American public.

Poverty is like a wound created naturally by the economic system, as Rank (1994; 2000; 2001; 2004) suggested. The structural dependence thesis would add that poverty exists because the wound remains untreated by the political agent that represents the people. The poverty wound is the social

consequence that results from structural dependence of the political system on the economic system. Progressively breaking this cycle of dependency at the structural level, and taking proactive actions at the local level, will start to cure the wound by transforming poverty from a non-issue to a salient issue. Therefore, the glocalization strategy recommends community and policy practices that address the structural nature of poverty.

Gans argued that poverty can be eliminated only when it either becomes sufficiently dysfunctional for the affluent or when the poor obtain enough power to change the system of social stratification (1972, 288). High concentration of poverty could work as a dysfunction to the community as a unit when hopelessness prevails in the absence of motivation for development. Hopelessness reflects a chronic group psychology reacting to the structural nature of poverty—racial discrimination, inequality, and depleted resources and opportunities. Ultimately, reclaiming hope for individuals and families in many at-risk communities should be the main goal pursued by the glocalization strategy: thinking globally and promoting bottom-up community sustainability by building an inclusive *opportunity structure.*

For future studies, this dissertation recommends further analyses of the extent of structural effects on poverty, particularly by interpreting the magnitude of effects. One could also conduct further investigations of other socio-politico-economic structural variables as they relate to poverty, both pre-transfer and post-transfer. Particularly there are not many valid

economic variables that help explain this opportunity structure in the market.

It may be useful to focus on pre-transfer poverty as a measure of market

poverty when analyzing the effect of economic structure on poverty. Also,

when taking additional steps to study the local structure within the global

context, it would be useful to include regional economic structural variables

as a mid-level variable in a multilevel analysis of individual poverty.

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End Notes

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[i] Both frameworks of Baumgartner and Jones's (1993) *punctuated equilibrium* and Kingdon's (1995) *window of opportunity* explain how interest groups define an issue or problem.

[ii] Schattschneider (1960) noted that the attempt to mobilize a untied front of the whole business community follows the logic of business politics, that is "to keep peace within the business community by supporting as far as possible all claims that business groups make for themselves" (Schattschneider, 1960: 42).

[iii] The relationship between the government and business largely determine the character of the regime and "the struggle for power is largely a confrontation of two major power systems, government and business" (Schattschneider, 1960: 392).