When Elections Widen Inequality: Clarity of Responsibility, Accountability and Labor Market Policy

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While political economists insist that elections create perverse incentives for election-year spending, scholars of economic voting have long upheld elections as an instrument of accountability that incentivizes good stewardship of the economy. The impact of electoral accountability on policymaking has been rarely examined, however. This study traces labor market policies implemented in response to rising unemployment – a robust predictor of reelection and hence of electoral incentives – across 19 OECD countries. Labor market policy is more likely to materialize when incumbents expect to pay the electoral price for inaction. Such policies do not aim at the constituencies most vulnerable to unemployment but at labor market insiders who represent an important constituency in terms of numbers and turnout. Only in contexts where insiders face considerable labor market risk does policy, incidentally, also favor outsiders. In the long run, accountability inadvertently deepens labor market segmentation and widens preexisting inequalities.

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