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## Inequality, redistribution and cultural integration in the Welfare State

Alberto Bisin, Thierry Verdier



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# Inequality, redistribution and cultural integration in the Welfare State

Alberto Bisin\* and Thierry Verdier<sup>†</sup>

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## Abstract

This paper constructs a simple theoretical political economy model to analyze the dynamic interactions between redistribution, public good provision and cultural integration of minority groups. Cultural differentiation erodes the support for general public good provision and vertical redistribution, reducing in turn the attractiveness of adoption of the mainstream culture by the minority groups. Our model shows the possibility for multiple politico-cultural steady state trajectories depending strongly on the initial degree of cultural differentiation in the society. An exogenous increase in income inequality is shown to increase the likelihood of multiple steady state trajectories. In a context with multiple minority groups, cultural fragmentation favors integration into the mainstream culture.

**JEL Classification Numbers:** J13, J15, Z10.

**Keywords:** political economy, cultural integration, inequality, redistribution

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