

The Impact of Ruling Party on Income Inequality

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For the past decade global inequality has reached altitudes unseen for a century, renewing calls to prevent harmful economic disparities in politics, education, and other institutions. Especially in the years leading up to the United States' 2016 election, the potency of the issue exploded with populist socio-political manifestations such as President Donald Trump, Senator Bernie Sanders, and the British exit from the European Union. However, the means of reducing inequality are fiercely contested among left and right wing ideologies.

The purpose of this paper is to address the issue of inequality with regard to the ideology of legislatures. An examination of the existing theories and studies of inequality expresses the best path towards finding solutions. Subsequently, the results of a controlled study are presented, accounting for macroeconomic factors such as gross domestic product, openness of economy, debt, and unemployment, leaving only the policies of left-wing parties as indicators of inequality. If the policies implemented by left-wing governments reduce income inequality, voters and politicians can utilize this information to solve an increasingly crucial problem.

Roots and Consequences of Inequality

First it is necessary to understand the causes and undesirable consequences of inequality. Bernd Baldus defines inequality as distributions of collectively achieved goods which “employ socially constructed limitations to prevent some individuals or groups from having access to... strategic resources which have the inherent potential of becoming self-reinforcing: material wealth, specialized knowledge, command and authority and social inclusion or exclusion,” leading to patterns such as social classes (Baldus 167-168). In this system goods are unfairly distributed in proportion to work performed.

“Material inequality in the U.S., and to a lesser extent in Canada, has risen to levels not seen since the Great Depression. By 2016, the top 1 percent of earners received 23.8 percent of all income in the U.S.... Worldwide a few dozen people now own as much wealth as the lower half of the world's population” (Baldus 168). This distribution of wealth limits the fulfillment of human beings; 19th century philosophers, scientists, and theorists such as Karl Marx interpreted these constraints as drowning out the quality of men's lives such as familial bonds, religious dedication, and love, leaving “remaining no other nexus between man and man than naked self-interest, than callous ‘cash payment’” (Marx, 15).

Many 19th century and some modern thinkers have theorized that “dysfunctional inequalities which burdened subordinates with heavy and unpleasant work while enriching their superiors could only be episodic results of abnormal” (Baldus 173) political behavior, and that as a result human rationality would soon bring an end to such disturbances. However, the duration and

pervasiveness of inequality structures among diverse cultures throughout history undermine this theory. Similarly, many economists believe that elites and wealth are produced by rational choice amidst a fair marketplace that ensures the best individuals rise to the most salaried positions; wealth is the natural consequence of skill. However, “non-functional and non-rational factors” such as discrimination, stereotypes, and other idiosyncratic variables “routinely enter modern hiring, promotion and salary decisions” (Baldus 173). Furthermore, “Many individuals in high positions keep their jobs even when their performance is suboptimal, incompetent or criminal and inflicts material or psychological harm on those around them.” (Baldus 174). The conception of inequality as a just consequence of a fair marketplace is unlikely.

Baldus outlines two causal paths of inequality. The first, chance events, include windfall cash gains, accidents, illness, and other fortuitous circumstances that can create poverty but are largely curtailed by structured dynamics. The second, more permanent path, is founded upon social cooperation and extends natural human trust and mistrust to create opportunities for betrayal and deception that lead to advantages and disadvantages. Both of these paths are reinforced by “leveraging potential inherent in initial shifts of material wealth or fortuitous advantage” (Baldus 179) and complicitness of the subordinate to create long term inequality. While owners convert crises into opportunities to legitimize and strengthen their position through force by disguising their own interests as the common good, the subordinate reject equality increasing policies, are politically ignorant, self-blame, and suffer precarious financial stability that inhibits action. These fluid socio-political paths are difficult to overcome and cause inequality.

Application of Inequality Reducing Policies in Existing Literature

Existing literature is profoundly divided and inconclusive, but offers strong theoretical and practical indicators of how studies should proceed in the future, eliminates certain alternative hypotheses, and explores the sociological origins and implications of inequality. The majority of literature examining inequality focuses excessively on intrastate policies, is inconclusive, or examines only equality and voting patterns. Vincent Mahler’s research focuses on the absolute reduction of Gini index as a result of taxes and transfers, finding significant relative differences between the effect of redistribution among upper and lower-class families. Although, as a result of this study, it becomes clear that “unrelated to government inequality reduction in any of the equations is the share of cabinet positions held by left parties” and that “economic globalization is not significantly related to a single measure of government inequality reduction” (Mahler 529). He is able to conclude that “direct taxes are simply much less important mechanisms for inequality reduction in the contemporary developed democracies than are transfers” (Mahler 530) which may be prominent for future analysis. Similarly, electoral turnout, union density, and political institutions all had significant impacts on income inequality (Mahler 530).

Perhaps most important to Mahler's study and the one conducted here are the findings regarding variations in democracy. Mahler found that "electoral systems shape the nature of governing coalitions, which in turn affects the propensity of governments to enact redistributive policies. Specifically, they claim that because coalitions are more formal and thus more enforceable in PR systems than in majoritarian systems, centrist groups—a key part of any coalition—will be more likely to join with parties of the left" (Mahler 518). Resulting from the median voter theorem which "predicts that the demand for redistribution in a democracy will be positively associated with the extent of inequality of pre-government income" (Mahler 516), states in which the existence of a coalition government is more likely, usually parliamentary systems, offer potent mobility and attract centrist parties to align with leftist parties to combat inequality. The relative power held by parties in differing systems of government is a complex confound that obfuscates the clarity of conclusions regarding ideology.

However, far left states, such as those in Scandinavia, contain the cabinet positions and direct taxes described by Mahler as well as a significantly lower mean value of wage inequality among the lower class than that of continental Europe, the USA, Canada, and Japan (Rueda). Similarly, Raymond T. Williams finds that "lower income families benefited the most under Democratic presidents (5.96%) while higher income families benefited the least (5.46%). Under Republican presidents, higher income families benefited the most (5.14%) while lower income families benefited the least (3.7%)" (Williams 5). David Rueda does, however, admit that governments "cannot legislate a particular amount of inequality and must rely instead on the design and implementation of policy to accomplish any degree of redistribution... these partisan differences will be influential only when some institutions are in place" (Rueda 351). While the impact of ideology on inequality seems nebulous, many authors have highlighted the necessary existence of certain institutions.

Finally, within the United States there exists an astounding ideologically partisan divides according to economic status which has implications for ideology and inequality. However, these patterns, too, are dependent upon certain conditions and are not rigid universalities. Disparities between rich and poor states demonstrate such conditions:

"in poor states such as Mississippi, richer people are much more likely than poor people to vote Republican, whereas in rich states such as Connecticut, there is very little difference in vote choice between the rich and the poor... the share voting Republican has tended to be 5 to 20 percentage points higher among voters in the upper third of the income distribution... If people evaluate their incomes using a nationwide frame of reference... and if income inequality affects partisan voting differences between the rich and the poor, we would expect a high degree of income inequality among the states to result in a large gap between rich states and poor states in partisan voting" (Gelman 1204-1209).

Although the expected disparities are prominent in some states, they cannot be applied nationally. The expected trend has not been the recent reality. Furthermore, Gelman indicates that this trend is abnormally powerful in the United States where “the Democratic and Republican parties actually stand pretty far apart in comparison to the left-right differences in Europe... The European welfare state is too expensive to expand and too popular to disband” (Gelman 1211). Despite the intrastate inequality of political participation amongst economic classes that may affect inequality, the apparent disparities in the potency of this trend nationally as well as a lack of such partisanship in European countries, only adds greater uncertainty to the study of ideology and inequality.

Validity of Ideology as a Causal Factor

As a result of the ambiguity regarding ideology, this study attempted to closely examine the relationship between ideology and inequality when controlling for other factors. By studying 36 democracies using data from 2010, the year in which all data was most recently available, various methods were used to find a relationship between ideology and inequality. Govleft2, the independent variable, measured the relative strength of the left-wing party in a country’s legislature. A government whose leftist party controlled the legislature absolutely measures a 100 on this scale. The 36 democracies had a leftism minimum of zero, maximum of one hundred, mean of 27.17, and a standard deviation of 36.56. This standard deviation is large and the low mean indicates a weakness of left wing parties in 2010. Postfisc_gini, the dependent variable, measured inequality after taxes in terms of percentage. A 0 would indicate complete equality and a 100 complete inequality. It included a minimum of 22.6, a maximum of 35.8, a mean of 29.1, and a standard deviation of 3.94. All levels of analysis controlled for debt, openness of the economy (measured by capital account transactions where countries with a higher score are more open) and unemployment as other economic measures that might impact inequality as an attempt to find causality.

The first analysis of these variables compared them at the interval level. The p-value of this relationship was a massive .552 while the R and adjusted R square were .057 and -.028, respectively. These statistics indicate that there was no significant relationship between leftism and equality. The pattern barely matches the expected line of best fit and it is extremely likely that any pattern that did arise was simply due to chance. Interestingly, the regression analysis demonstrated a significant correlation between unemployment and inequality.

The inconclusiveness of the regression analysis warranted further testing. By grouping both govleft2 and postfisc_gini into three groups each- low, medium, and high- at the 33% mark of each scale, I next used a Chi-Square ordinal level analysis. The relationship between these groups was insignificant with an extremely low Pearson Chi-Square measurement of 1.944 with .746 significance which greatly exceeds the .05 standard for significance. There is a miniscule goodness of fit between these two variables’ observed values. A Somers’ d analysis of -0.36 reveals

a very minor inverse relationship between equality and leftism: as leftism increases, gini index decreases. However, the relationship is not statistically significant.

Discussion

In sum, the relationship between party government and economic inequality was extremely spurious and I failed to reject the null hypothesis regardless of the measurement used. Similar to the confounds for Mahler as previously stated, the polarity of leftism arose prominently. 30 out of the 34 countries were grouped either low or high in leftism, falling under the 33% mark or above the 66% mark of leftism, respectively. Almost no states were between 33% and 66%. Additionally, 20 countries either had a leftist power rating of zero or one hundred for their legislature. In these states power was concentrated exclusively in one party and the minority party had inconsequential influence on policy, thus they measured as extreme ends of leftism and likely affected the results.

Similarly, it may be possible to infer that at a certain percentage of strength of party, 51% or 67% depending on the type of government, this relationship becomes impotent; the marginal strength gained after these percentages is zero. Furthermore, the relatively small sample size limited only to a small number of democracies likely confounded the significance of this study. Further studies should include a larger of countries and search for a connection between ideology and inequality regardless of the type of regime. Finally, the year in which data was collected may confound the study. Its proximity to the 2008 financial collapse may have caused abnormal inequality and government ideology. The prominence of right-wing parties in this study indicates such abnormality. For these various reasons further testing is necessary.

The findings of this study have implications for policy as well. In democracies, if this connection is spurious, simply electing politicians who promise to reduce inequality is insufficient to significantly combat it. Those politicians, their constituencies, activists, and more must consistently push for reform in order to accomplish significant change in inequality. For right-wing politicians and governments the relationship should be similarly weak as it is simply the inverse of govleft2, however further studies should also be conducted to examine the exact nature of their relationship with inequality as well.

Conclusion

The goal of this study has been to examine the causes and consequences of inequality and to attempt to find a means of reducing inequality through political ideology. However, as in previous literature, this study failed to find a significant connection between ideology and inequality at any level of analysis. Academics and policymakers should continue investigation into this and other variables in order to combat this increasingly potent issue.

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