Economic inequality: Partisan Perspectives, Public Opinions, and Unconventional Remedies

Andrew Gelman and Leslie McCall

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Nowadays "inequality" is all the rage, running the gamut from income and wealth inequality to inequalities in political access, human and social capital, and gender and racial outcomes. In this short piece, we focus on the type of economic inequality--mainly income inequality--that has enjoyed perhaps the most attention by politicians over the past several years, but these other dimensions will enter the picture at various points as well. As befitting this election season, we also focus on the political discussion of economic inequality.

To start off, we describe how issues of economic inequality are typically debated within the framework of larger partisan divides over the nature of the economy and government policy. In the first section we examine the views of liberal and conservative politicians and in the second section we examine the views that politicians and other elites (such as journalists and academics) have of public opinion about inequality. Our main argument is that, owing to the novelty and complexity of the issue, these responses are still in formation and splinters are visible within the parties as well as between them. In the final section, we offer an alternative--and more coherent and centrist--perspective on the issue that is rooted in research on how the public views the particular issue of economic inequality rather than how they think about broader liberal and conservative platforms.

1. The political debate over economic inequality

Discussion of economic inequality is closely tied to discussions of its commonly held remedies. This is unfortunate because such remedies are rooted in eras that predate the rise of economic inequality beginning in the late 1970s; consequently, they are not necessarily well suited to the problem. As is well known, liberals (as the term is used in the United States) favor economic redistribution--via progressive taxes and a slew of social programs--and expansionary policies; thus, they have a motivation to focus on inequality as a growing problem. Conservatives for their part have traditionally accepted inequality of outcomes as a natural part of society and, when pressed on the issue, focus instead on expanding economic opportunity. We term these the "equalizing outcomes" and "equalizing opportunities" approaches; they comprise the core rubrics of the liberal and conservative canons, respectively, when addressing issues of inequality.

In terms of deeper (and more murky) explanations, liberals remain unsure as to whether our modern economy is unsustainable and must be stopped, or whether it is so productive that we can afford generous social spending. Conservatives are likewise divided between the view that we have been spending beyond our means and must cut back or that we are richer than
ever before and should not slow down the capitalist system that has the potential to enrich the world's billions. These distinctions matter because they determine where one sees the problem (if any) of inequality and where one might see solutions in some mix of economic fundamentals, redistributive government policy, or the rules of the game.

Similarly on the trend in economic inequality itself, conservatives oscillate uncomfortably between three somewhat contradictory positions:

(a) Inequality in the United States is not actually high nor is it increasing. Once you correct for economic mobility, transfer payments, investments (e.g., in housing), and other factors, the apparent increase in income inequality goes away (Armour et al., 2013), indeed it is worse in the social democratic countries of Europe. This is mainly an argument made by experts and academics, however, rather than by politicians, most of whom have acknowledged perceptions of growing economic hardship among ordinary Americans (e.g., Jeb Bush's Right to Rise super pac; Marco Rubio's plan to expand the EITC) or are, like Donald Trump, adopting stridently economic populist positions on taxes, immigrant labor, and trade (as has been done in the past by, for instance, Patrick Buchanan in the 1996 Presidential election campaign when inequality was also a prominent issue; see McCall, 2013, and Judis, 2015).

Or, (b) Inequality is increasing, and it got worse under the Clinton and Obama administrations. Although it's a debated point, some evidence does suggest that inequality gets worse under Democratic administrations (e.g. using state-level data from 1981-2001; see Gelman et al., 2008, figure 5.3; cf. Bartels 2008).

Or, (c) Inequality is fair and it's the engine that runs the successful American economy. It is more economically efficient for people to be paid more when they do more productive work (see, for example, Mankiw and Weinzierl, 2009), and the prospect of more pay for better work sparks innovation. This necessitates the focus on equality of opportunity (to maximize human capital potential) rather than equality of outcomes.

From the other direction, liberals have a more consistent position of seeking a decrease in economic inequality via some mix of regulations, taxes, and transfer payments, but with two challenges: a general discrediting of economic redistribution in the U.S. where economic growth rather than the welfare state has historically been seen by the public as the equality-generating machine, and the practical difficulty of implementing such programs in an economically conservative and racially inflected and divided political climate. If overt redistribution could not be enacted after the 2008 election led to unified Democratic control of congress and the presidency, what hope could there be now for this stalwart liberal solution to the problem of inequality?

In the debates over the federal budget following the 2008 recession, for instance, liberals favored an economic stimulus (i.e., deficit spending) right away, while conservatives argued that, not only should we decrease the deficit, but that our entire fiscal structure is unsustainable, that we couldn't afford the generous pensions and health care that's been promised to everyone. The crisis in the euro is often taken by fiscal conservatives as a signal that the modern welfare state is a pyramid
scheme, and something has to get cut.

When the discussion shifts to the standard of living of the middle class, though, we get a complete reversal of the usual liberal/conservative perspectives on fiscal issues.

Following popular research by Elizabeth Warren on the rise of bankruptcy (e.g., Warren and Tyagi 2004), liberals who are fine with deficits at the national level argue that, in the words of Michael Norton (2011), "the expansion of consumer credit in the United States has allowed middle class and poor Americans to live beyond their means, masking their lack of wealth by increasing their debt." From the other direction, conservatives argue that Americans are doing just fine, with Scott Winship (2012) reporting that "four in five Americans have exceeded the income their parents had at the same age."

From the left, we hear that America is rich but Americans are broke. From the right, the story is the opposite. America (along with Europe and Japan) are broke but individual Americans are doing fine.

We see the political logic to these positions. If you start from the (American-style) liberal perspective favoring government intervention in the economy, you'll want to argue that (a) people are broke and need the government’s help, and (b) we as a society can afford it. If you start from the conservative perspective favoring minimal government intervention, you'll want to argue that (a) people are doing just fine as they are (or if they aren't, it’s the fault of safety net programs for disincentivizing work), and (b) anyway, we can't afford to help them.

As we alluded to above, these discussions feed into--and at times are eclipsed by--more general concerns about the strength of the economy. Efforts to redistribute wealth are not necessarily more popular during periods of economic hardship, when economic opportunities appear to be narrowing and government assistance to be aiding only the poor and not the broad middle class. Hence the argument that overall economic growth to expand economic opportunity is the best cure for inequality is often invoked by conservatives; whereas the argument that a tight labor market improves workers' bargaining power is often invoked by liberals, or they focus directly on intervening in the labor market by such measures as raising the statutory minimum wage. We return to these important economy-centered solutions (as opposed to government-centered solutions) in the discussion of our alternative approach.

Thus there are political debates over the causes and consequences of economic inequality, and also statistical measurement debates about whether inequality is increasing at all and whether the median standard of living is decreasing. We will not try to adjudicate these claims on the economics. We bring them up in order to demonstrate the complicated patterns between economic ideology, political ideology, and elite views about inequality.

2. The political debate over public opinion about inequality

Surveys show Americans are populist class warriors, except when they aren't.
We can illustrate disputes about public opinion with a debate from 2011 involving political journalists William Galston and Matthew Yglesias (though we could have selected any number of journalists). Galston, writing in the New Republic, shared some Gallup poll results: 82% of respondents felt it was extremely or very important to "grow and expand the economy," while only 46% said it was extremely or very important to "reduce the income and wealth gap between the rich and the poor," with that latter proportion actually lower than it had been when the question was asked in 1998 during Bill Clinton's presidency (though, as we noted above, a little known fact is that the 90s were a time of heightened opposition to inequality). Meanwhile, in Slate, Matthew Yglesias referred to some poll results that pointed in the opposite direction, with a vast majority of Americans (including over 50% of Republicans) saying that there was "too much power in the hands of a few rich people and large corporations."

Galston and Yglesias used these poll results to come to opposite conclusions. Galston: "a campaign emphasizing growth and opportunity is more likely to yield a Democratic victory than is a campaign focused on inequality." Yglesias: "we should expect to see Democrats continue to double down on 'tax the rich' themes and populist messages." That is, Galston advocated an equalizing opportunities message while Yglesias advocated an equalizing outcomes message, even though one could put them both in the liberal category.

We think the ambiguity revealed in these polls actually makes sense: if there were a clear and unambiguous majority in favor of some conventional policy and all its ramifications, we would expect it would have already passed and there would be no remaining political dispute. Democrats and Republicans are no longer arguing about (de jure) laws against racial discrimination or child labor (with rare exceptions). The very fact that an issue is politically live suggests some flexibility on opinions. In the particular case of inequality, this flexibility reflects a lack of political maturity regarding a relatively new economic issue (with inequality traditionally referring to issues of racial and gender inequality or poverty rather than income or class inequality). This state of flux helps us understand what otherwise seems contradictory about these poll results (Gelman, 2011).

Within the confines of conventional, partisan debates, these contradictory views are unsurprising for three reasons--one well-known, one not so well-known, and one that is a superficial reflection of the two previous two.

As background, here are what we see as the key dimensions of public opinion related to economic inequality, backed up by a wide range of other surveys. On the one hand, consistent with Yglesias, a solid majority of Americans has long believed that the country's "economic system unfairly favors the wealthy." On the other hand, consistent with Galston, over half of Americans do not see the country as "divided into haves and have-nots" and roughly two-thirds are optimistic about their own chances of upward mobility through hard work. When we switch from views on the economy and society to views about government, a final crucial piece of information is that over 60 percent see "big government"
as the greatest threat to the country in the future.

Now to the reasons that these seemingly contradictory views are unsurprising.

First, while it is true that Americans hate big government, political scientists have understood for decades that Americans have positive views about expensive government programs, taken individually (e.g., Social Security and Medicare). Using recent survey data, for instance, Page and Jacobs (2009) show that most Americans--Democrats and Republicans alike--support government intervention in health care, education, and jobs, and are willing to pay taxes for these benefits. But such interventions face strong political opposition by conservatives, who emphasize their "big government" signature, as well as genuine skepticism about their economic effectiveness from the public. State-level initiatives have at times overcome these credibility problems by proposing a simple formula of temporary taxes on top incomes to pay for popular programs such as education, health care, and public safety (e.g., in 2010 in Oregon, well before the Occupy Wall Street movement supposedly put the issue of income inequality on the radar screen).

Second, and to a dynamic that is not as widely understood, these positions have been exploited (perhaps unintentionally) by elites of opposing political orientations to sound different political themes, which then reinforces the appearance of contradictory views. A supporter of higher taxes for higher incomes can focus on the "too much power in the hands of the rich" angle, whereas a supporter of cuts in low-income and middle-income entitlement programs can focus on the lack of resonance of the haves and have-nots argument. The grain of public opinion gives a sense of how the debate might go, with liberals focusing on the power of the rich and big business, and conservatives reminding voters that taxes taken from the rich will go straight to the federal government. But each of these positions represents a slanted representation of only one side of a complicated set of public views.

Third, these positions have also been exploited (perhaps unintentionally again) by pollsters and survey researchers who pose questions in ways that amplify contradictory positions rather than try to resolve them, and then journalists follow suit. One could read the results by Galston and conclude that inequality is a concern but not a very high priority for Americans (i.e., the issue has low salience). Alternatively, one could read the results as unsurprising given the novelty and complexity of rising inequality relative to something like "economic growth," which everyone grasps and desires.

Another example that captures these problems perfectly comes from a Pew study (Economic Mobility Project, 2009). In line with the "equalizing opportunities" view, the authors of the study emphasize the results from a force-choice question in which only 29 percent of Americans said that reducing inequality was more important than ensuring that "everyone has a fair chance of improving their economic standing." Yet when Pew asked a more nuanced question about whether inequality is related to mobility, because "greater economic inequality means that it is more difficult for those at the bottom of the income ladder to move up the ladder," only 29 percent disagreed. Little attention was given to the implications of this
response, however, for understanding that inequality and opportunity are not two mutually exclusive objectives in the public's mind.

Can a more coherent political story about inequality be rescued from these fragments?

3. Squaring the circle: A new political rubric

Against the backdrop of these conventional narratives, which are rooted less in the particular problem of rising inequality than in longstanding partisan debates over taxation and social welfare spending, and which as a consequence have led to stalemate and confusion, we suggest alternative ways to frame the issue of economic inequality that are more germane.

In this new political rubric, remedies to inequality can be framed, in both policy and public opinion, not only in terms of "equalizing outcomes" and "equalizing opportunity," but in terms of what we see as a potentially centrist and unifying hybrid of the two: "equalizing outcomes to equalize opportunities" (McCall, 2016).

We've discussed "equalizing outcomes" as the relatively straightforward but not particularly salient approach espoused by liberals, which emphasizes the "taxing the rich" message alongside a diffuse list of social spending commitments, only some of which are opportunity-based. "Equalizing opportunities" is the approach espoused by conservatives and some liberals too; it also was described above to some degree but here we underline its laser-like emphasis on traditional opportunity enhancing policies, such as educational reform and job creation, with the latter often hitched to related issues such as immigration and trade on the right and the minimum wage on the left. These are salient with the public at large and at the heart of support for populists who not only sound these themes as remedies to the problem of inequality but adopt them as their central rallying cry (e.g., the presidential candidates Donald Trump and Bernie Sanders).

But both the liberal and conservative approaches fail to address public concerns about inequality in crucial respects. The approach of equalizing outcomes through government redistribution fails to make a credible connection to the problem of economic opportunity, which is the perceived consequence of rising economic inequality that Americans ultimately care most about. It focuses too much on reducing inequality as an end in itself rather than on fixing the problems that Americans associate with inequality, such as limited opportunities for upward mobility (McCall, 2013).

Meanwhile, the approach of equalizing opportunities through educational reform and job creation falls short because existing educational policies and economic growth have failed to generate shared prosperity, suggesting that some form of equalizing outcomes is necessary if opportunities are truly to be expanded. In particular, Americans want more than jobs; they want good jobs with good pay and benefits. And this necessitates some degree of redistribution of labor market rewards.

The alternative, hybrid approach fuses the goals of equalizing outcomes and opportunities and thus fills the gaps in conventional liberal and
conservative narratives and strategies.

The hybrid approach differs crucially from the conventional liberal approach by emphasizing the equalization of opportunities over outcomes. Yet at the same time it is consistent with it by insisting that outcomes need to be equalized in order to achieve greater equity in education and employment. Examples of this at the state level are the ballot measures that temporarily raise taxes on the rich to fund education, health care, and public safety as mentioned above (e.g., in 2010 in Oregon and 2012 in California). With education as the primary, targeted beneficiary of revenues, and with jobs in middle class sectors to be saved from the chopping block in health care, education, and public safety, opportunity is transparently the end goal of redistributive taxes, rather than a laundry list of social services and benefits.

The relatively new attention to family leave policy and other issues of gender equity as anti-inequality strategies (e.g., by presidential candidates Hillary Clinton and Bernie Sanders) also fuses notions of opportunity and inequality by seeking to expand women's employment opportunities as a way to boost family incomes among the broad middle class. This is pitched as an "income inequality" issue by liberals because of their assertion that median household income declined over the last business cycle for the first time in recent history, which they attribute to the concentration of income growth at the top of the distribution.

The hybrid approach also differs in important respects from the conventional conservative approach by not removing the equalization of outcomes from the conversation of how to equalize opportunities. Conservatives can blend the two objectives by capitalizing on their greater faith in American business than in the government to advocate for a private sector solution to the problem of inequality. This may offer the most innovative solution yet to the problem of rising inequality.

What exactly are we talking about here?

Like the public's split in views toward big government versus favored government policies, but less well known, Americans are wary of big business in general, but they like just about any individual big business you might ask about. A Pew survey from 2007 asked people what they thought about 23 prominent companies. With the exception of controversial oil companies Exxon/Mobil and Halliburton (which were viewed favorably by about half the people who responded), each of these companies was viewed positively, with 95% having a favorable view of Johnson and Johnson (among those willing to give a rating), 94% liking Google, 91% liking Microsoft, 87% liking Coca Cola, and so forth. Even companies with some controversy such as Citibank, Pfizer, and Walmart had over 70% favorability (Pew, 2007, Gelman, 2008).

The Pew survey also broke down the responses by partisanship and social class. Republicans tend to like corporations, with little difference between the views of professional-class and working-class Republicans. For Democrats, though, there's a big gap, with professionals having a generally more negative view, compared to the working class. For example, only 30% of professional-class Democrats viewed Exxon/Mobil
favorably, compared to 48% of working-class Democrats, and over 60% of Republican respondents of either social class.

Building on these findings, in a pilot of new survey questions on policy preferences related to inequality, we found an appetite especially among Republicans and Independents in the general public for involving major companies in the fight against inequality, an appetite significantly exceeding (for Republicans) or on par with (for Independents) that for government (McCall, 2016).

For instance, the plurality of Republicans and Independents, amounting to roughly a third of respondents, selected "major companies" over "government," "low income individuals themselves," "high income individuals themselves," and "charities" as the group most responsible for "reducing differences in income between those with high incomes and those with low incomes." A final option that allowed respondents to express their satisfaction with present levels of inequality ("income differences do not need to be reduced") was selected by only a fifth of Republicans and a tenth of Independents.

Moreover, in two questions fielded on the 2014 General Social Survey, we asked about the responsibility of major companies to reduce pay differences by reducing executive pay and raising unskilled worker pay to compare to the traditional question about the responsibility of government to reduce income differences by raising taxes on the wealthy and providing assistance to the poor. We found that a larger share of respondents held major companies responsible than held government responsible. Because these groups were not strictly overlapping, the share of Americans who held either one or the other institution responsible was substantially higher (roughly two-thirds) than what we would see if we only focused on the government's role.

Returning to our discussion above of the lack of trust in government and business in general but support for individual policies and companies, these results suggest in addition that the institutions Americans trust to implement policy in the future (despite their dissatisfaction with them in the present) represent a genuine mix of conventional (i.e., government) and unconventional (i.e., business) approaches to reducing inequality.

The current array of candidates from both sides of the aisle are missing the crux of the inequality problem as experienced by ordinary Americans and thus are missing an opportunity to connect with them on this vital issue of our time.

References


