# New evidence that increasing economic inequality rises out of political partisanship

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Political scientists at the University at Buffalo and Pennsylvania State University have published new research investigating how partisan differences in macroeconomic policy have contributed to substantial and rising economic inequality in the United States.

The negative consequences of such policy decisions, researchers found, have a greater impact on people at the lower end of the economic spectrum, but are "significantly more muted" for those at the higher end of the spectrum.

The study, "Partisan Differences in the Distributional Effects of Economic Growth: Stock Market Performance, Unemployment, and Political Control of the Presidency," appeared in the *Journal of Elections, Public Opinions and Parties* on Feb. 15, 2015.

The authors are Harvey D. Palmer, PhD, associate professor of political science at UB, and Bryan J. Dettrey, a recent UB PhD graduate, now teaching at the School of Public Affairs at Penn State Harrisburg.

"All incumbents have the incentive to create economic growth in order to win re-election," Palmer says, "and they use a variety of policies to achieve this growth. Their policy choices - including those designed to manage the national economy - are usually in harmony with the demands of the core constituent groups of their party.

"We hypothesized that some groups benefit more and some less from the sets of policies chosen by the incumbent government to stimulate growth," he says.

"Our results support that proposition. They show that the economic policies of Republican presidents, for instance, have a stronger effect on stimulating stock market performance than reducing unemployment," says Palmer, "which is more likely to benefit Republicans than Democrats given that, on average, they have greater investment wealth.

"Economic growth under Democratic presidents, on the other hand, has a stronger effect on reducing unemployment," he says, "which tends to benefit Democratic constituencies more than Republican ones given that, on average, they face greater job insecurity."

"However, the risk of unemployment falls disproportionately toward the lower end of the income scale, further reducing the average relative wages of those in lower income brackets," Palmer says.

"Also, while the negative effects of unemployment can be long lasting, the negative effects of stock ownership are significantly more muted," Palmer says, "because even the leveling effects of more severe price corrections or downturns in the stock market do not compare to the long-term negative consequences of higher unemployment on income inequality."

As an initial test of their theoretical argument, Palmer and Dettrey investigated whether partisan differences exist in the statistical relationships between economic growth and stock market performance and unemployment. This statistical analysis is based on monthly economic data from January 1951 to December 2010 (start of the Eisenhower administration through the second year of the Obama administration).

Consistent with Palmer and Dettrey's argument, the positive relationship between economic growth and stock market performance was signficantly greater under Republican presidents, while the negative relationship between economic growth and unemployment was significantly stronger under Democratic presidents.

Moreover, both researchers say this finding holds regardless of what assumption is made about the time lag in the effect of a change in partisan control on the nature and implementation of macroeconomic policy.

Palmer and Dettrey also reveal evidence through the application of a rolling subperiod modeling approach, which indicates that the partisan differences in the distributional consequences of macroeconomic policy increased from 1951 to 2010, reflecting the rise in income inequality in the U.S. over the past 30 years.

**More information:** *Journal of Elections, Public Opinions and Parties* , www.tandfonline.com/doi/abs/10 … lCode=fbep20#preview

Provided by University at Buffalo

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