Susquehanna University Political Review

Volume 6 Article 4

2015

Economic Policy, District Income, and Legislators

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INTRODUCTION

Who wants a higher tax rate? The immediate reaction would probably be nobody. However, reality is that if the government is to be depended upon for services and its essential functions, it needs to obtain funding from somewhere. The government has the authority to raise taxes if the legislature so decides. The US and state constitutions grant the legislatures the ability to lay and collect taxes from its citizens.

How much should the government take from some or provide to others? Some argue that the government should collect more in taxes so that it can provide more in social services. Others say that the government takes too much money, stifling economic growth and hurting the taxpayers. Many legislative districts have a majority of voters that reflect the views of one side or the other of this policy argument. An essential question then is when do legislators vote with their districts views in regards to tax policy questions?

This paper aims to explore the relationship between a legislator and his/her district. More specifically, it is asking whether or not a legislator from a high-income district is likely to vote conservatively on tax policy questions and if a legislator from a low-income district is likely to vote liberally on tax policy questions.

HISTORY/BACKGROUND

Modern financial crises have brought economic debates to the forefront of American politics. Democrats are being pulled to the left through the rise of the populist movement while Republicans are becoming more conservative with the rise of the Tea Party (Phillip 2014). These two parties, the predominant forces within the American political system, are both fervently pushing their policy positions. The Democrats are pushing a liberalized economic policy while the Republicans have resurfaced the arguments of former President, Ronald Reagan (Phillip 2014; Bartlett 2012). Modern conservative economic policy is often dubbed "Reaganomics" in honor of the policy's initial champion (Bartlett 2012).

Conservative tax policy tends to favor the wealthy in hopes of freeing their assets for investment (Niskanen 1988). This idea, strongly advocated for by most Republicans, is based upon laissez-faire principles in which the government's role should be to allow freedom to businesses, not to weigh them down with useless regulations (Henry 2008). In addition the government should not interfere in private business affairs, because if it does so the price to pay is economic freedom (Henry 2008). Reagonomics by its nature favors the wealthy, namely those who hold large assets and those that control the means of production (Niskanen 1988). The idea is that if the wealthy are able to succeed, all Americans will subsequently succeed. Theoretically, since the wealthy have more freedom to invest their capital, they will do so, creating more jobs and wealth to be spread around (Niskanen 1988). This economic theory is also referred to as "trickle-down economics." Quite literally this idea asserts that the wealth of prosperous people will trickle down to those in lower economic classes.

Modern liberal tax policy, often dubbed "Obamanomics" has tended to favor a pro government stance in terms of economic security. The liberal view is nearly opposite of the conservative view in that people who believe the argument encourage more governmental action in order to regulate the market and make sure it keeps running. In addition liberal tax policy tends to favor government spending on social programs in order to create a "safety net" for society. This policy champions the government as a regulator and protector of laborers and the middle class. This economic theory supports the notion that people in lower economic classes spend more of their money, so if they make more it will boost the economy. Most Democrats support labor unions and raising wages by law in order to boost the economy (Leonhardt, 2008).

Literature Review

In reality, there are many factors that play into how a legislator votes. For example, in some studies it is asserted that legislators act in accordance with their ideology and party platforms instead of responding directly to their constituents (Poole and Rosenthal 1996). Poole and Rosenthal note that if legislators respond to direct pressure from constituents, then both senators from the same state would have matching voting records; clearly this is not the case (Poole and Rosenthal 1996). In addition, the freedom in voting that members of Congress have, specifically those in the House, is noted. After election the members have a high chance of reelection, and therefore have a large degree of leeway when making votes (Fenno 1979).

The connection between a member's ideology and his/her constituents is seen in the research of Richard F. Fenno. Members of Congress run on a platform of ideas, and then they identify closely with the constituents that have similar ideas (Fenno 1979). Since the congressperson perceives their voters to have similar views they vote their own ideology, assuming that their voters agree with them. The argument does remain that ideology alone is the strongest indicator of how a legislator will vote (Levitt 1996). This supports the idea that on most issues, legislators are voting their own ideology or preference instead of their constituents' views. According to Levitt, there is only a small role for constituents to play after the elections (Levitt 1997). Other scholars have said that the elections are important because they act as an ideological indicator for issues that the congressman will vote on (Poole 2007). Poole also argues that after representatives establish their set of ideals that they tend to stick to them throughout their time in Congress (Poole 2007). It is noted, though, that if legislators move too far away from what their constituents want, then the people will vote accordingly in the next election (Erikson 1978). This means that they will either vote to tell their legislator to change their position, or just elect a new legislator.

It has been found that a majority of Congress members distinguish themselves and their district at the expense of the congressional institution as a whole (Fenno, 1979). This may lead to a conservative view of tax collection policy for one's own district, but liberalized views for most other districts (Fenno 1979; Lopez and Ramirez 2008). However, other studies have found that the role that party leadership undoubtedly plays in the decisions of congressmen. Some argue that party leadership will indicate how a legislator votes (Arnold 1992). This relationship is highlighted through votes, especially because party leaders control the issues that are able to be voted on (Arnold 1992). Others find that even when legislators have individual preferences on an issue, sometimes the party leadership puts party first, and the vote of the individual legislator is changed to follow their leaders (Snyder and Groseclose 2000). Arnold's article also notes that legislators are complex people, like everyone, and their voting patterns cannot be attributed to one set of factors (1992).

In terms of the economy, some studies assert that legislators indeed have their own policy preferences, but they react to constraints such as redistricting as well (Lopez and Ramirez 2008). Once redistricting occurs a legislator has a new constituency to consider, and their votes may reflect that (Lopez and Ramirez 2008). They also assert that legislators respond in cyclical patterns that are apparent based on economic conditions (2008). Notably, Lopez and Ramirez determined that legislators are most likely to aisle cross when economic conditions have drastically and negatively changed, since the economy usually takes precedence over other issues (Lopez and Ramirez 2008). During these times bills pass that might not pass under normal economic conditions (Lopez and Ramirez 2008). When a negative change occurs, the legislator's votes tend to revert back to historical party positions on how to fix the problem of a depressed/receding economy (Lopez and Ramirez 2008). So, in extreme economic times Democrats and Republicans are likely to aisle cross, but the parties often disagree on which problems to address (Lopez and Ramirez 2008).

Lopez and Ramirez look at the predictable patterns that parties follow in less extreme economic times. They argue that there is a polarization that takes place among the political parties under different economic conditions (Lopez and Ramirez 2004). Their findings suggest that when there are periods of high monetary inflation, the parties tend to come together and address the problem. In this instance both parties agree that inflation must be lowered. But, when there are times of high unemployment, the parties tend to polarize and have very different approaches in how to fix the problem in terms of economic philosophy (Lopez and Ramirez 2004).

Saliency is the key factor in the argument. Some studies argue that if a legislative vote on an economic issue presents salient results specific to constituents then the legislator is more likely to vote in favor of the policy (Bogart and Vandoren 1993). So, if a policy directly affects a constituent, then it is believed the constituent is more likely to react or put pressure on their representative. Another important factor that has been reported is the congressman's perception of what their constituents want (Miller and Stokes 1963). The members assume that their policy position is preferred in their home district because it is what they were elected to represent (Miller and Stokes 1963). In a reexamination of Miller/Stokes, Erikson asserts that legislators are directly influenced by their districts because it is the district they are from as well (Erikson 1978). In this instance political party is a key factor, because it is assumed to be the connection between the legislator and their constituency (Miller and Stokes1963). This is not the consensus among researchers though. Some say that legislators mistakenly perceive what their districts want (Miler 2007). This is likely because the legislative satellite offices generally only encounters two types of constituents, those with money who have donated to the campaign and those who are politically active in the district (Miler 2007). This indicates that those two groups increase the saliency of an issue to a legislator, even though the legislator may not be hearing from the other eleven or twelve subconstituencies (Miler 2007). Miler says that this causes the lawmaker to misperceive what their districts want (2007).

Perhaps a key to tying the information together, Andrew Gelman asserts that the historic pattern has been for wealthy people in poor states to vote for conservative Republican lawmakers. Interestingly, this converse pattern does not hold. So in wealthy states income has a much smaller correlation with voter preferences. Gelman's main point is that it is not always wealthy states voting for Democrats, nor is it always poor states voting Republican. Gelman points out that the lower classes tend to vote more strongly for Democrats as a whole, with little regard to the color state they are in. But, at the national level, more wealthy people do tend to support Republicans (Gelman 2008).

This research tests the hypothesis that as the income level of a district increases, so does the likelihood that the legislator will vote for conservative economic policies. Many policies enacted at the national level do not have a direct impact on the constituents at home. Tax policy, however, is an issue that many constituents feel strongly about. Since it is more salient I believe that they will put additional pressure on their legislator to vote conservatively (in favor of lower taxes and/or tax breaks).

METHODOLOGY

This study will examine whether or not Congress members tend to vote more conservatively on tax policy questions if they are representing a high-income district. There are other factors that may explain a legislator's vote. However I hypothesized that the wealth of a district plays a large role in determining the outcome of the legislator's vote.

The independent variable in this study is the income of a district. This was measured by utilizing available per capita income data which was obtained from the US Census Bureau. It is useful in determining the income level of a district so that the district can be classified as either high or low income.

The dependent variable in this study is the votes cast in regards to economic questions. This is provided from the legislative rankings that are obtained from the National Taxpayers Union (NTU). This organization ranks legislators on a scale of 0-100. A score closer to zero indicates that a congress member is a "big spender" and a score closer to 100 indicates that he or she is a "taxpayers friend (NTU 2014). " For the purposes of this study, a score closer to 0 indicates a liberalized stance on taxes, and a score closer to 100 indicates a conservative stance on taxes. The rankings are based on every roll call vote that the congressperson has made in regards to taxes, spending, and debt during the 113th session of Congress (NTU 2014).

Control variables include: gender, ethnicity, race, and two measures of political party – that of the district, and that of the legislator. These variables have been found to impact voter preferences in multiple other studies. For example, they are included in Andrew Gelman's book Red State Blue State Rich State Poor State.

Political party of a district is measured by voting data from the 2012 presidential election. Gender, race, ethnicity, and political party of the legislator can be taken from the Congressional website.

The correlations run were the relationships between NTU score and both district party and district income. The results from the test indicate a relationship of -.807 between district party and NTU score. This suggests a very strong correlation, and is a statistically significant finding.

The correlation between district income and NTU score has a relationship of .017, and this indicates a very weak correlation. This result was not statistically significant.

This correlation tells us that for about every percentage point that the district leaned toward Obama in the 2012 presidential election, the NTU score would decrease by about 1.65. The closer a district is to 100% of the vote for Obama the closer the NTU score will be to 0. The relationship can be highlighted by noting that for every $10,000 change in district income, there is about a 1% change in Obama percentage. This emphasizes that the district party has a bigger impact on NTU score than does district income.

FINDINGS/ANALYSIS

Table 1. Correlation (District Party and District Income)

	NTU SCORE	
	Pearson's r	P-Value
District Party	-0.807	0.000
District Income	0.017	0.725
N	429	

Difference of mean tests were conducted to determine the differences in conservative ratings for three variables. This test analyzes patterns between variables. The variables were the sex of the legislator, their political party, and if they were a non-white member of Congress.

Sex of a legislator was analyzed and indicated a difference in NTU score. The finding was statistically significant. Male members of Congress are given an average score of 52.02/100 (Table 2) from the NTU whereas the female members are given an average score of 38.88/100 (Table 2). There is a difference of 13.14 in the score between male and female voters. This indicates that women tend to vote more liberally in regards to economic questions than their male counterparts.

Table 2. Difference of means test (Sex of legislator and NTU score)

	NTU Score
Mean (female)	38.88
Mean (Non-female)	52.02
Mean difference	-13.144
Std. error of the difference	3.731
Degrees of freedom	426
T-statistic	-3.523
P-value	0.000

On average the white members of congress received a score of 55.12/100 (Table 3) NTU rating whereas the non-white members received an average score of 23.66/100 (Table 3). This is a difference of 31.46 in the scores between white and non-white members. These findings are statistically significant. The differences in means suggest that white members of

Congress vote more conservatively on tax policies than do non-white members.

Table 3. Difference of Means Test (Non-White Member and NTU score)

	NTU Score
Mean (Non-White)	23.66
Mean (White)	55.12
Mean difference	-31.458
Std. error of the difference	3.487
Degrees of freedom	426
T-statistic	9.022
P-value	0.000

When comparing political party the results show that Republican legislators earn an average of 74.97/100 (Table 4). The Democratic legislators earn an average score of 18.16/100 (Table 4). This is a difference of 56.813 and the finding is statistically significant. This final difference of means finding suggests that Republicans cast more conservative votes in regards to economic policies than do Democrats.

Table 4. Difference of Means (Republicans, Democrats, and NTU score)

	NTU Score
Mean (Republican)	74.97
Mean (Democrat)	18.16
Mean difference	56.813
Std. error of the difference	0.849
Degrees of freedom	426
T-statistic	66.884
P-value	0.000

A multiple regression test was also run in order to assess and assert the district income variable's place within the dataset. This test showed that among all of the chosen variables, district party (as measured by Obama vote share percentage) was the only statistically significant indicator of what the NTU ranking of a legislator was going to be (Table 5). This finding supports those who assert that ideology or party are the biggest indicators of how a legislator will vote.

Table 5. Multiple Regression Results: Predictor of Congress' NTU score

	Coefficient (Std. Error)	p-value
Female	-1.456 (2.314)	0.530
Obama vote share	-1.603 (0.066)	0.000
District income	4.715 (3.454)	0.173
Nonwhite	0.645 (2.738)	0.814
Constant	86.761 (36.594)	0.018
R-squared	0.916	
N	428	

Interestingly, the results become slightly less definite when the multiple regression is run by party, rather than Congress as a whole. It can be noted that in the second running of the regression the party of the district still remained statistically significant as an indicator of NTU score. But, when the parties are separated the data show that a Democratic representative in a wealthy district is actually more likely to vote liberally on tax/economic questions (Table 6).

Table 6. Multiple Regression Results: Predictor of Congress' NTU scores by party

Democrats	Coefficient (Std. Error)	p-value	Republicans	Coefficient (Std. Error)	p-value
Female	0.019 (1.333)	0.989	Female	-0.883 (1.603)	0.582
Obama vote share	-0.421 (0.052)	0.000	Obama vote share	-0.358 (0.072)	0.000
District income	-6.687 (2.172)	0.002	District income	2.831 (2.321)	0.224
Nonwhite	1.248 (1.436)	0.386	Nonwhite	-2.582 (2.501)	0.303
Constant	118.010 (23.389)	0.000	Constant	60.842 (23.815)	0.011
R-squared	0.318		R-squared	0.091	
N	190		N	238	

Conclusion

The hypothesis of this study was that a legislator from a district with a higher income is more likely to vote conservatively in regards to tax/economic policies. From the data sets used, this hypothesis did not hold. The data shows that political party and ideology are typically the strongest indicators of how a legislator will vote.

A significant finding lies in the Democratic party. It was found that when a Democrat hails from a district with high-income, the more liberal that legislator is likely to be in regards to tax/economic voting. This finding did not hold true for Republicans and conservative voting. In terms of the NTU, Democrats from high-income districts are more likely to be less friendly to taxpayers since they vote more liberally. If it is related back to Gelman's book, we can see that his argument that some districts with wealthy individuals break the pattern of leaning Republican. This highlights Gelman's theory that some wealthy districts are liberal, even if at the national level wealthy people tend to support the Republican party.

To expand upon this study, I would suggest further separation of variables in regression tests. Perhaps differences among Republicans and Democrats who are female or non-white can be seen just as a difference in parties themselves. In addition, I would perhaps use a different indicator of how legislators are ranked rather than the NTU. The NTU has a conservative leaning which may have skewed some results.

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