The split between political parties on economic issues: A survey of Republicans, Democrats, and economists


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Author(s): Fuller, Dan A, Alston, Richard M, Vaughan, Michael B
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Abstract (Document Summary)

One result of the political fixation on the deficit is the increasingly opaque nature of the views of the Republican and Democratic parties on monetarist, new Keynesian, new classical and other economic propositions. An examination is made of the economic views of the Republican and Democratic parties. These views are contrasted with those held by professional economists to shed some light on the economic literacy and philosophy of political parties and the degree to which the views of economists might have influenced them.

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The 1980 election campaign of Ronald Reagan clearly identified supply-side economics, particularly the version inspired by Arthur Laffer and made politically popular by Jude Wanniski, Jack Kemp, and George Gilder, as an important element in the economic philosophy of the Republican party. Since the Reagan presidency, however, neither the Democratic nor the Republican party has expressed a clear economic ideology, embracing instead the simple proposition that the federal deficit needs to be eliminated. One result of the political fixation on the deficit is the increasingly opaque nature of the views of the Republican and Democratic parties on monetarist, new Keynesian, new classical and other economic propositions.

The purpose of this paper is (1) to explore the economic views of the Republican and Democratic parties and (2) by contrasting them to views held by professional economists(1) to shed some light on the economic literacy and philosophy of our political parties and the degree to which the views of economists might have influenced them.(2)

THE SAMPLE, SURVEY AND STATISTICS

Our survey results are based on two separate samples. First, we rely on the sample of 464 economists reported by Alston, Kearl and Vaughan (1992a; 1992b; hereinafter "the Alston survey"). Second, a survey consisting of thirty of the forty propositions used in the Alston survey plus nine additional propositions was distributed to 2,500 national delegates to the 1992 Republican and Democratic national conventions.(3) This second sample was split evenly between the Republican and Democratic parties. Delegates were randomly drawn in proportion to the size of the state delegation at each convention.(4) Democrats returned 263 surveys, a response rate of 21 percent; Republicans returned 323 surveys, a response rate of 26 percent.

Respondents were asked to indicate their degree of agreement with individual propositions using a three point scale. Survey results, along with relative entropy indices (e) and the skew of the distribution (s), are reported in Table 1. (table 1 omitted) The relative entropy index (e) for each proposition is a measure of the degree of consensus. Derived from information theory,(5) the relative entropy index ranges between 0 (perfect consensus) and 1 (no consensus) (6) It is important to note that the relative entropy index is nonlinear and, as a consequence, large changes in the distribution of responses result in small changes in entropy. While no specific "cutoff value" can be designated, our experience in this and other surveys suggests that relative entropy values less than .7 indicate a substantial degree of consensus among respondents (i.e., a substantial majority select the same response).

The skew of the distribution of responses (s) is a measure of the direction and magnitude of asymmetry about the mean for a set of data. For each proposition, skew indicates whether the distribution of responses lies more in the direction of agreement or disagreement (indicated by a positive or negative value of s, respectively). We used the Chi-Square test of independence to examine statistically whether the distribution of responses is independent of political affiliation. The statistical results of these tests are indicated by superscripts a, b, and c in Table 1.

CONSENSUS AMONG DEMOCRATS AND REPUBLICANS

The appearance of a unified party is of ten viewed as an important factor in elections. How unified were the political parties for this set of economic
propositions in the 1992 presidential elections? For Republican delegates average e = 0.676; for Democrats average e = 0.679. This shows a fairly high degree of consensus within both parties. Neither the mean nor the variance of e were statistically different between the two parties at a 10 percent level of significance.

Median-voter models have been used to predict that political candidates (and by implication, political parties) will adopt similar positions. Using a Chi-Square test of independence, however, we identified only 6 of 39 propositions for which we could not reject the hypothesis that Republican and Democratic delegates had identical distributions of responses. (7) To identify the extent of disagreement over the remaining 33 propositions, we examined the skew of the distribution. That is, if the distributions’ responses for Republicans and Democrats are skewed in the same direction for a particular proposition (i.e., + or -), both delegations lean in the same direction and significant differences in the distributions of responses are due to the level of consensus. We found this to be the case for 14 of the remaining 33 propositions. Thus, Republicans and Democrats seem to share common ground for 20 of the 39 propositions.

For 19 of the 39 propositions, the political delegations express rather opposing viewpoints, contrary to the suggestions of the median-voter model. This finding highlights some of the limitations of median-voter models. For example, it is quite likely that the median voter on one issue is not the median voter on another issue. Although Davis, DeGroot and Hinich [1972] proved the existence of the median voter in the multidimensional case, the results reported here suggest limits inherent in large dimensional problems. Another problem involves the introduction of uncertainty into the otherwise deterministic median-voter model. Lacking complete information, politicians must of ten infer the preferences of voters. The likelihood of different interpretations of the position of the median voter is probably high for low profile issues. Given these caveats about the public decision process, areas of disagreement are as revealing as those of agreement. To facilitate discussion, propositions are divided into three groups: international, macroeconomic and microeconomic.

INTERNATIONAL PROPOSITIONS

Over 80 percent of both Republican and Democratic respondents agree with the proposition that the trade deficit (no. 4) has an adverse effect on the economy. In contrast, only about 26 percent of the economists surveyed agree. (8) Although neither delegation exhibits a high level of consensus, both distributions skew toward agreement with the proposition that the trade deficit is attributable to the inability of U.S. firms to compete worldwide (no. 5), which is the opposite of the skew of the distribution of economists. Democratic delegates appear more protectionist in their views, tending to disagree with the proposition that tariffs and quotas have adverse welfare effects (no. 1), opposite of the skew of Republican delegates' and economists' responses. Finally, Democrats tend to agree, while Republicans tend to disagree with the proposition that NAFTA will benefit the owners of business at the expense of labor (no. 3).

MACROECONOMIC PROPOSITIONS

Over 80 percent of both delegations agree that a large federal budgetary deficit has an adverse impact on the economy (no. 6). In contrast to the high degree of consensus found in both political delegations (e < .4), economists show little consensus (e = .79) on this issue. Unlike economists, each delegation tends to agree with the proposition that government spending should be reduced as a percentage of GDP (no. 7), although the Republican delegation shows substantially stronger consensus (e = .48) than the Democratic delegation (e = .84).

Several propositions relate to management of the business cycle. A significant difference of opinion between Republican and Democratic delegates concerns the new classical proposition (with which economists tend to disagree) that a recessionary economy is self-correcting in the long run (no. 13). Over 70 percent of the Democrats disagree with proposition no. 13, while over 70 percent of Republicans agree. The apparent disagreement is tempered by the somewhat contradictory finding that both delegations tend to agree with the concept of a natural rate of unemployment (no. 14). Once again, however, the level of consensus is substantially higher among Republican (e = .47) than among Democratic delegates (e = .81). Both delegations agree that fiscal policy can have a stimulative impact on the economy (no. 9) although Republican and Democratic delegates differ strongly concerning the stimulative effects of a cut in the capital gains tax rate (no. 20). Democratic delegates strongly disagree with the supply-side proposition that lower income tax rates increase the number of hours individuals work (no. 21). Surprisingly, however, the skew of the Republican respondents is also negative, although not strongly so. Republicans are strongly split, while Democrats show substantial disagreement with the monetarist proposition that the management of the business cycle ought to be left to the Federal Reserve (no. 16).

Compared to only 25 percent of economists who agree, about 45 percent of both delegations agree with the proposition that the Federal Reserve Board (FRB) can control the money supply (no. 15). However, about 25 percent of each delegation agree with the monetarist proposition about the desirability of fixing the long-run rate of growth in the money supply (no. 17), a proposition which also found little support from the economists surveyed.

MICROECONOMIC PROPOSITIONS

We found that Republican and Democratic delegates differ over most propositions concerning the distribution of income. Republicans strongly disagree, while Democrats even more strongly agree, with the proposition that the distribution of income in the U.S. should be more equal (no. 39). In both cases there is substantial consensus within the party (Republican e = .60; Democratic e = .35). In contrast, economists are skewed toward agreement although with a low level of consensus (e = .88). Republicans were even more adamant in their disagreement with the proposition that the redistribution of income is a legitimate role for government (no. 38), while Democrats and economists indicate general agreement. Whereas 67 percent of the Republican delegates surveyed agree with the proposition that the persistence of poverty is due more to a breakdown of family values rather than a lack of opportunity (no. 24), 80 percent of the Democratic delegates disagree with this proposition. Seventy-five percent of Democratic delegates agree that educational vouchers would worsen the distribution of educational resources, opportunity, and student performance (no. 25), a proposition with which 72 percent of Republican delegates surveyed disagree.

The responses of both political delegations skew toward disagreement with the propositions that tax policy has a significant impact on the likelihood a family will remain intact (no. 23) or that compensation and promotion differentials between women and men are due to differences in productivity and worker choice (no. 27). However, the level of consensus for proposition no. 27 was much higher among Democrats (e = .43) than Republicans (e = .81). Both delegations agree with the proposition that means tested public assistance should be linked to work requirements wherever possible (no. 34).

Republican and Democratic delegates differ strongly over health care reform (no. 35). Eighty-four percent of the Republican delegates agree, but 79 percent of the Democratic delegates disagree, with the proposition that health care reform ought to be left to market oriented solutions rather than a Canadian-style government program. Republican and Democratic opinions differ over the efficiency effects of reducing the power of the EPA (no. 31). Democrats and economists expressing general disagreement with this proposition. Both Republicans and Democrats exhibited low levels of consensus concerning the proposition that pollution taxes or marketable permits are a better approach than effluent standards (no. 32), a proposition that economists generally support.

CONCLUDING REMARKS

The results presented in this paper point to some of the similarities and differences in the economic philosophies of the Republican and Democratic parties. Generally speaking, neither political party appears to exhibit much enthusiasm for monetarist propositions. While the fiscal activism of the Democratic party seems apparent and intact, Republican delegates might appear to have abandoned some of their enthusiasm for the supply-side economics of the Reagan administration, as evidenced by their lack of agreement with the proposition that lower income tax rates increase the number of hours individuals work (no. 21). Before jumping to such a conclusion, however, we note that the supply-side proposition that reducing the tax rate on capital gains would encourage investment and promote economic growth elicited agreement by over 95 percent of Republicans. The extremely high degree of consensus on this issue (e = .17) is one of the strongest we have found in any similar survey.

The Republican embrace of the allocative and technical efficiency of market-based outcomes found in many of the microeconomic propositions contrasts rather sharply with the attitudes expressed by the Democratic delegates for a more active role of government. Traditional Democratic views embodied in New Deal and Great Society programs, together with ties to organized labor, appear to persist into their views on health care, the environment, and antitrust policy. Differences between Republicans and Democrats extend forcefully to propositions no. 38 and no. 39, which explicitly address redistributive issues. This result is consistent with Kristol, Lindert and McClelland [1992] and others using pressure group models of political redistribution which find that agent's views on redistributive policies is a useful predictor of political alignment. (9) Economists will be neither surprised nor alarmed to discover that Republicans and Democrats disagree with each other on many issues. Indeed, economists should view areas of disagreement as an opportunity to play a constructive role in guiding the process and outcomes of political compromise. It is those issues on which Republicans and Democrats find common agreement, but which they disagree with the view of economists, that should cause alarm. For it is precisely in these types of situations that our political parties advocate policies that economics, as a discipline, has completely rejected. For example, the strongly held consensus view of both Republican and Democratic delegates that large deficits in the balance of trade cause adverse impacts on the economy (no. 4) is not generally shared by economists. (10) This should lead economists to explore seriously what politicians view as the goal of trade. As economists, our models and experience indicate that goals of protecting employment or running high and continuous trade surpluses are neither desirable nor sustainable. If, as economists, we find our models and discipline seriously out-of-step with the decision-making process, it calls for serious educational efforts or reconsideration of the basic premises of our models. Surveys, such as the one reported here, will not close the gap between economists and politicians. Their value lies in identifying issues requiring further inquiry, analysis and educational effort.

NOTES

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1. While the relationship between beliefs of economists and political parties has not previously been compared, various comparisons have been made between American and European economists Frey et al., 1984; Frey and Eichenberger, 1992; 1993, British economists [Ricketts and Shoesmith, 1990; 1992]; Canadian economists lock and Walker, 1998], Australian economists [Anderson and Blandy, 1992], East Asian economists [Anderson, Blandy and Carne, 1993], institutional economists [Alston and Vaughan, 1993], graduate students [Colander and Klammer, 1987], undergraduate principles students [Clark and Phipps, 1992; Jackstadt et al., 1990]; non-economics students [Jackstadt et al., 1989]; high school students [Jackstadt and Brennam, 1983], and economic educators [Leet and Lang, 1992]. Most of these studies, including the one presented here, utilized the approach first developed by Keal et al. [1979].

2. Frey and Eichenberger [1992; 1993] note that American economists are more of ten political advisers than politicians, in contract to their European counterparts. They speculate that the opportunities for economists in politics in the U.S. are limited relative to those in Europe. Haberger [1993], writing about the frustrations faced by economists working as policy practitioners, provides insights into why politicians are of ten distant and cool to the ideas of economists.

3. Ten propositions from the Alston survey were deleted because they were either too technical or could be replaced by questions which were topical or broadened the scope of the survey. Several technical questions from the Alston survey were rewritten to clarify their meaning.

4. The extent to which this sampling method is representative of either political party is a matter of judgement. Winner-take-all states and other election rules probably result in the under-representation of minority views. Elected politicians were not excluded from the random draw although several offices replied that all survey requests were refused.

5. Garner [1992] provides one of the clearest discussions of relative entropy as a measure of the degree of consensus.

6. Relative entropy (e) is the observed entropy value divided by the maximum possible entropy for the number of possible outcomes where entropy is the sum of the probability of a particular outcome multiplied by the log sub 2 of the probability, i.e., (Equation omitted). Given three alternative responses, the maximum possible relative entropy would result from a distribution of 33.3 percent in each response category. Thus, in the extreme case of no consensus, we would have e = 1. As another example, if 80 percent generally agree with a proposition, while the remaining two categories scored 10 percent each, e = .56. If the proportion were 80-20-0, e = .41, indicating greater consensus; if the proportion were 90-5-5, then E = .36; and, if the proportion were 90-10-0, e = .30. A relative entropy value of zero indicates that all respondents chose the same response. Anderson and Blandy [1992, 20-21] and Ricketts and Shoesmith [1990] offer particularly interesting discussions of the awkward judgments which result from trying to assign and interpret this and other measures of consensus. Note that while we specify log base 2, some authors in the reference section have utilized natural logarithms or log base 10 for convenience. While the specific values calculated will change as the logarithmic base changes, the range for relative entropy remains unchanged (i.e., 0 ≤ e ≤ 1). Garner [1992] discusses the issues surrounding selection of base.
7. At a ten percent level of significance, the null hypothesis of independence could not be rejected for propositions 4, 5, 6, 15, 17, and 37.

8. Perhaps both political parties adopt a neo-mercantalist view that the goal of trade is to generate employment while most economists view its expanding consumption possibilities. Given the perceived political reality of the impact of high unemployment on elections, it is evident that a considerable and difficult gap exists between economists and politicians on the gains from trade. Note, however, that the degree of consensus among economists on this proposition is relatively low (e = .86).

9. Several of the propositions (nos. 3, 7, 20, 21, 23, 24, 25, 27, 28, 34, 38, and 39) have redistributive implications. There are reasonably high levels of consensus within each party for these propositions. However, there is a statistically significant difference between the two parties on 11 of these 12 propositions. With these propositions netted out, the two parties show a much higher level of agreement on the macroeconomic and microeconomic propositions than indicated in the body of this paper. Again, this is consistent with models which emphasize the politics of redistribution. We are indebted to the comments of an anonymous reference for this point.

10. To a lesser extent, similar patterns eat for propositions concerning the cause of trade imbalances (no. 5), balancing the federal budget over the course of the business cycle (no. 8), the ability of the FRB to control the money supply (no. 15), and the relative desirability of pollution taxes and marketable permits (no. 32).

REFERENCES


