



VANDERBILT  
UNIVERSITY

# An Analysis of the Relationship Between Income Inequality and Welfare Policies

*Laura Wright*

The State University of New York College at Geneseo



The ABCD REU is funded by the National Science Foundation (Award #2150143)

## Introduction

**Motivation:** Income inequality is increasing, with economic, political, and social consequences. However, scholars disagree about how income inequality affects welfare policies.

### Debate:

**Side A:** As income inequality increases, welfare policies will decrease because low income populations are less concerned about investing in the future and the rich may be overrepresented because they participate in politics more.

**Side B:** As income inequality increases, welfare policies will also increase because disadvantaged communities will advocate for themselves and demand more welfare policies.

However, scholars do not address that how this relationship might differ depending on the partisanship of the legislature.

**Question:** How does income inequality influence the adoption of state welfare programs, based on government partisan control?

## Theory

**Hypothesis:** Under **Democratically-controlled** legislatures, an **increase** in income inequality will **increase** welfare policies. Under Republican-controlled legislatures, an **increase** in income inequality will **decrease** welfare policies.

### Rationale:

- Democratic legislatures have more electoral incentives to respond to lower income individuals.
- Additionally, Democrats value redistributive policies more than the Republicans.

## Data and Variables

**Data:** The Correlates of State Policy Project (CSPP) dataset

**Dependent variable:** Welfare Policy Index (0-4)

**Independent variables:** Atkins Index Income Inequality (.051-.513)

**Control Variables:** Year, Democratic Partisanship of the State, Personal Income, Party Control of Governor, Percent Democrats in the House, Percent of Democrats in the Senate

**Methods:** Bivariate and Multivariate OLS Regression Analysis

## Results

Table 3: Coefficient Plot with Majority Republican House

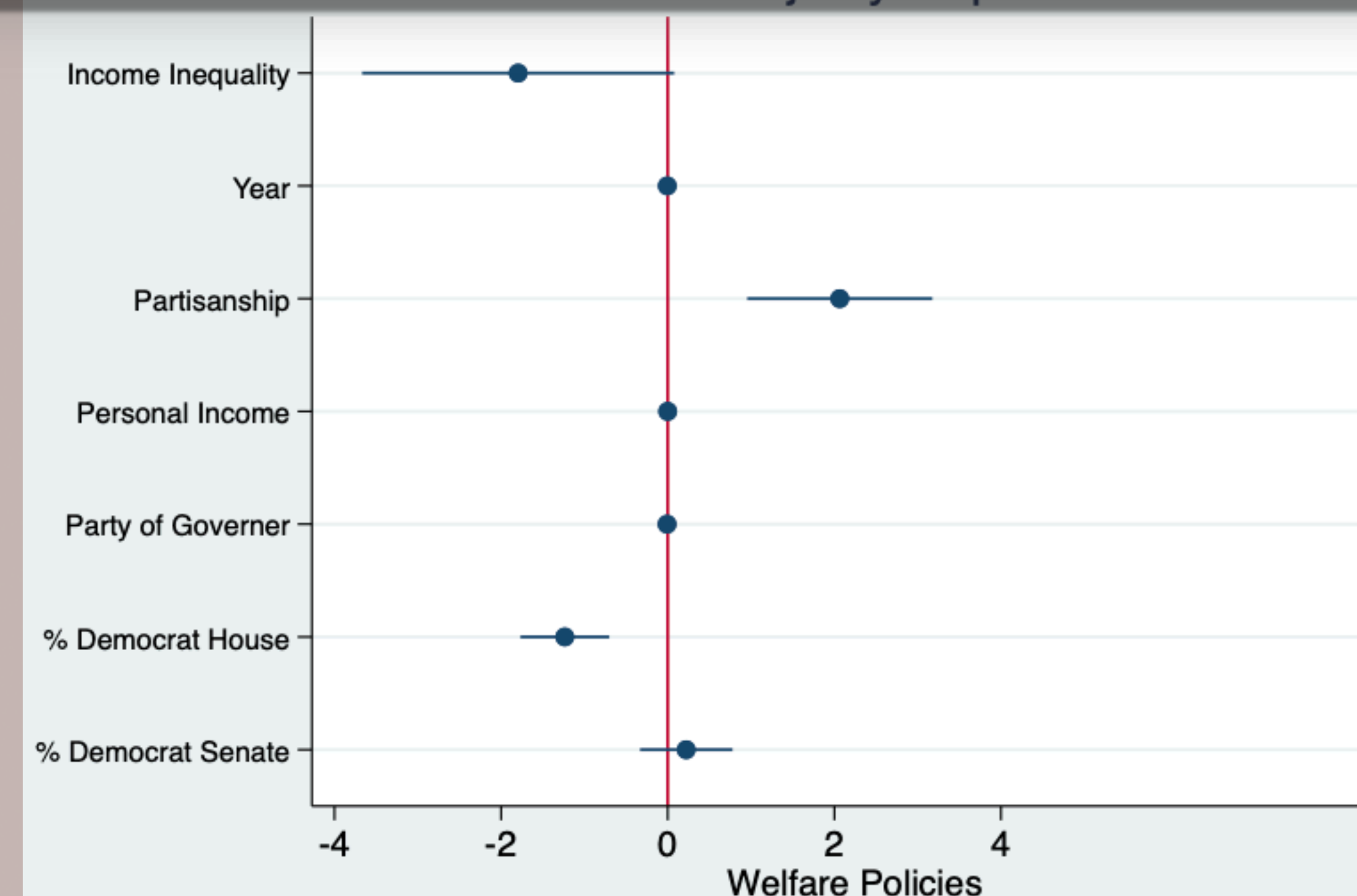
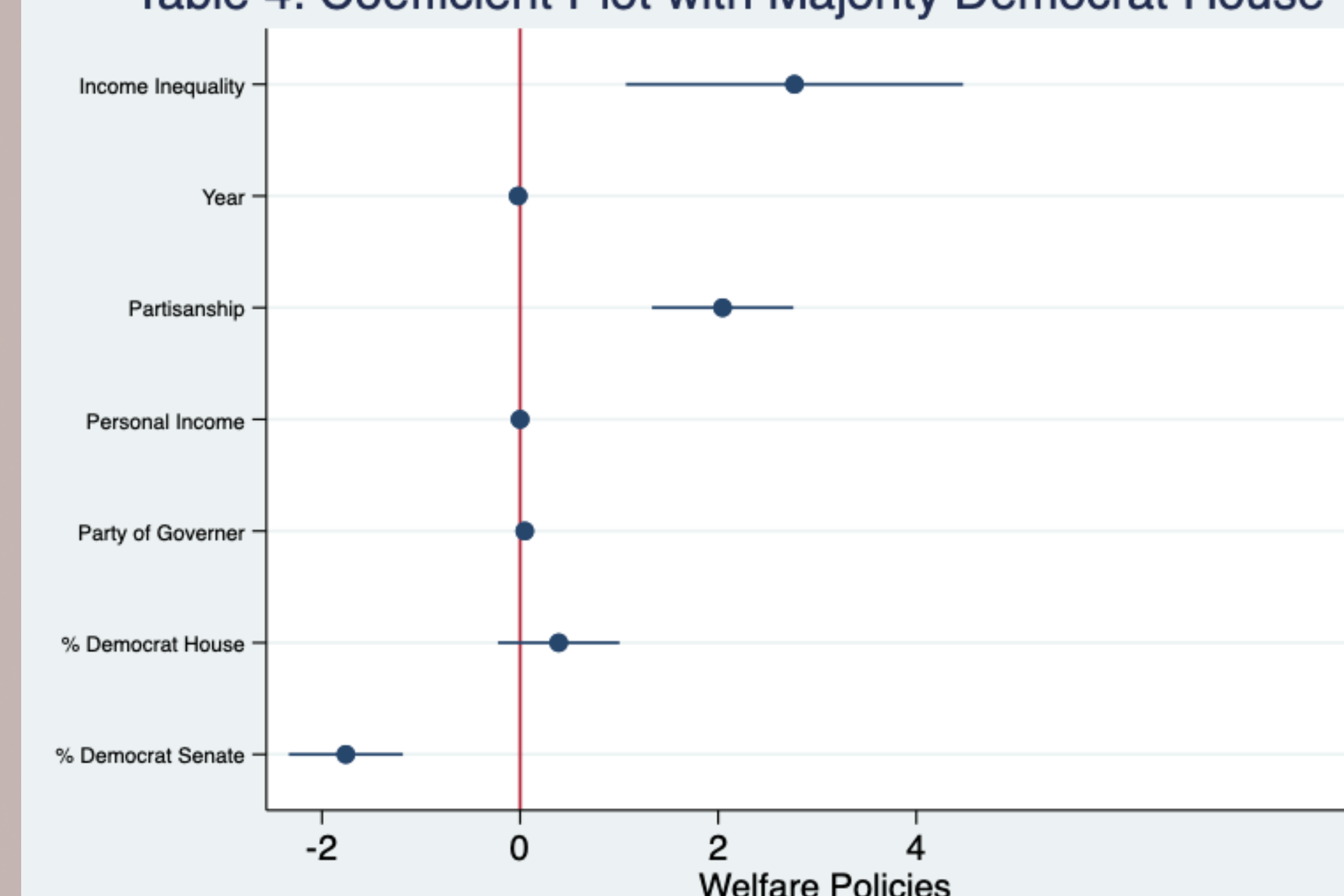


Table 4: Coefficient Plot with Majority Democrat House



## Discussion

### Regression Results:

- Under Republican-controlled legislatures, increases in income inequality correspond to fewer welfare policies.
- Under Democratic-controlled legislatures, increases in income inequality correspond to more welfare policies.
- Additionally, an increase in the population of Democrats corresponds to an increase in welfare policies

**Implication:** An important implication of this study is that the treatment of lower income groups depends on the legislative partisan control of the state in which they live.

## Future Directions

In future research, scholars can explore how current events such as COVID-19 impact welfare policies. Additionally, scholars can observe how increased polarization in our current political system can change the relationship between income inequality and welfare policies.