
THE IMPACT OF IDEOLOGY AND PARTISANSHIP ON THE DISTRIBUTION OF SPENDABLE INCOME: THE OMNIBUS BUDGET RECONCILIATION ACT OF 1990 IN THE U.S. SENATE

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Recent empirical work has shown that partisan control of the executive branch affects both absolute and relative living standards in the United States. In the post-1950 period, Democratic administrations are associated with lower unemployment rates (Beck 1982; Hibbs 1977, 1983, 1987; Hibbs and Dennis 1988) and higher inflation rates (Hibbs and Dennis 1988) than Republican administrations. While rising inflation is approximately class neutral (Hibbs 1987), reducing unemployment produces strong absolute and relative gains for low and middle income families (Blank and Blinder 1986). Additionally, Democratic administrations are associated with significant pro-equalizing change in the distribution of post-tax, post-transfer income between high and low income groups (Hibbs 1987; Hibbs and Dennis 1988).

A glaring gap in this literature concerns the impact of Congress on the distribution of income. Most studies of congressional behavior focus on aggregated categories which contain some votes on components of income (e.g., social welfare spending—see Clausen 1973; Clausen and Van Horn 1977; Schneider 1979; Smith 1981; Browning 1985; Poole and Daniels 1985). The only time-series study of the impact of changing partisan balances in Congress on the distribution of income is Hibbs and Dennis (1988) who find that Democratic strength in Congress is positively related to pro-equalizing change in the distribution of post-tax, post-transfer income. The only cross-sectional study is Jackson and King's (1989) study of the Revenue Act of 1978. Jackson and King's study is ground-breaking in that it approaches the study of congressional behavior on tax reform from a public goods perspective and uses an interactive model of constituency influence. The present study augments Jackson and King's study by examining more contemporary legislation, broadening the redistributive issue to include non-income tax components, examining the effects of committee

influence on members' subsequent behavior, and employing an ideology measure much more comparable to previous studies.

HYPOTHESES

This study tests six hypotheses which past literature suggests should affect the degree to which senators support redistribution. Numerous studies suggest that liberals are more supportive of legislation likely to redistribute income more toward low-income individuals than conservatives (Schneider 1979; Smith 1981; Poole and Daniels 1985). Therefore, we hypothesize that:

H1 - A senator's liberalism is positively related to his or her support for redistribution toward low-income individuals.

As political party affiliation is an important organizing concept in American politics, it is not surprising that previous research has sought to ascertain its impact on legislative behavior. While the degree of impact of party seems less than that of ideology (Poole and Daniels 1985), there is still good reason to think it will have an important independent effect on senators' voting on redistributive issues. As the Democratic Party is more identified with policies generally thought to redistribute income to lower-income individuals, it is hypothesized that:

H2 - Democratic senators are more likely to support redistribution toward low-income individuals than Republicans.

The previous two hypotheses have dealt with senators' political orientations. While these factors are likely to affect a senator's behavior, so may participation in relevant committees. While the prestige of committees varies (Fenno 1973) it is plausible that members of the committee may defer to the committee position in floor voting, especially when there is a high degree of consensus both that something must be passed and that amendments will negate elaborately designed compromises with both the other chamber and the President. Given that the aforementioned conditions held and that the redistributive votes we examine were all in the direction of making the committee package more egalitarian, it is hypothesized that:

H3 - Committee membership is negatively associated with support for redistribution favoring low-income individuals.

Electoral factors can certainly alter an elected politician's behavior. As the votes we will be examining were given much attention in the media and occurred very close to an election, the electoral status of a senator could

plausibly affect his or her voting pattern. While constituency preferences on redistribution vary (Jackson and King 1989), there seemed to be a general feeling that the taxation and spending changes enacted in the 1980s had been too generous to the wealthy (Phillips 1990). Therefore, it is hypothesized that:

H4 - Senators facing re-election will be more supportive of redistribution favoring low-income individuals than senators not up for re-election.

As Jackson and King (1989) suggest, redistribution is a classic public good in which public attitudes are likely to be motivated both by self-interest and general political philosophy. As liberals are generally thought to place a higher value on a more equal distribution of income than conservatives, it is hypothesized that:

H5 - The liberalism of the senator's constituency is positively associated with the level of the senator's support for redistribution favoring low-income individuals.

While redistribution is a public good, this does not mean that constituency attitudes toward it are completely devoid of self-interest. It is certainly reasonable to anticipate that lower income constituencies would be more supportive of redistribution than higher income constituencies. Therefore, it is hypothesized that:

H6 - Constituency income is negatively associated with senatorial support for redistribution favoring low-income individuals.

As the legislation we will be examining involved both changes in Medicare and the gasoline tax, two additional constituency self-interest hypotheses are appropriate:

H7 - The percentage of the state population age 65 and older is positively associated with supporting reductions or opposing increases in Medicare deductibles; and

H8 - Gasoline consumption per driver is positively associated with supporting reductions or opposing increases in the gasoline tax.

DATA

This study examines senatorial voting on the Omnibus Budget Reconciliation Act of 1990. This legislation is a very good indicator of contemporary congressional differences on redistributive issues because it dealt with an important group of both revenue and expenditure changes at a very

recent time period. Additionally, because the legislation took place at a time of extreme concern over budget deficits, it forced Congress to weigh redistribution versus other important and highly visible fiscal issues. Furthermore, concern with distributional questions was high in late 1990 because various well-publicized studies had shown that income inequality increased significantly over the preceding decade and linked politics to such changes (Phillips 1990). Finally, 1990 was an election year and the impact of such political factors should be maximized. This study examines voting on the four amendments offered in the Senate to make the Omnibus Budget Reconciliation Act of 1990 more progressive (either by increasing benefits and/or reducing taxes for families below the median income and/or increasing taxes for families above the median income). When rank-ordered from most progressive to least progressive the amendments are as follows:¹

1. The Levin (D-Michigan) amendment to increase the tax rate from 28 percent to 35 percent on income in excess of \$200,000; remove all increases in the gasoline tax (a somewhat regressive tax); and eliminate increases in Medicare deductibles and premiums. The Levin Amendment was rejected 44-56 (*CQ Weekly Reports* 1990, 3656).²
2. The Gore (D-Tennessee) amendment to eliminate the reduced taxation of the highest income bracket relative to the next highest bracket (the “bubble” effect); “increase the alternative minimum tax from 21 percent to 25 percent; provide a surtax of 10 percent on taxable income above \$1 million; delete all new burdens placed on Medicare recipients; reduce the increase in the gas tax from 9.5 cents to 6 cents per gallon; and remove all the provisions that would disallow 5 percent of itemized deductions on the portion of income above \$100,000.” The Gore Amendment was rejected 45-55 (*CQ Weekly Reports* 1990, 3655).
3. The Conrad (D-North Dakota) amendment to eliminate the income tax bubble; increase the minimum tax from 21 percent to 25 percent; place a 10 percent surtax on millionaires; reduce the increase in the gas tax from 9.5 cents to 5 cents; delay increases in Medicare deductibles for one year; lower the Medicare Part B deductible from \$150 to \$100; restore 50 percent of the reductions in agriculture programs; and eliminate the 5 percent deduction rule (*CQ Weekly Reports* 1990, 3553; *Congressional Record* 1990, S 15491-S 15524). The Conrad Amendment was rejected 32-67 (*CQ Weekly Reports* 1990, 3553).
4. The Harkin (D-Iowa) amendment to place a surtax of 18 percent on income over \$1 million and remove the increase in the Medicare

Part B deductible. The Harkin Amendment was rejected 49-51 (*CQ Weekly Reports* 1990, 3656).

As attempts to develop a Guttman Scale were unsuccessful, each senator was scored on the percentage of the four amendments he/she supported.

The first independent variable is the senator's liberalism. While political ideologies are somewhat difficult to define, a relative comparison between liberalism and conservatism should suffice for present purposes. In domestic policy, liberals generally place a higher relative value on minimizing economic inequality (e.g. support for the minimum wage) and protecting the noneconomic freedom to differ (e.g. support for gay rights) than do conservatives. In foreign policy, liberals are generally less supportive of weapons procurement and military intervention than are conservatives. A measure which is consistent with this definition of liberalism is the support index created by the Americans for Democratic Action (ADA). While the validity of vote-based measures of ideology has been challenged (Jackson and King 1989), a strong case has been made that such measures are in fact quite valid (Bernstein 1989; Shaffer 1989). Additionally, using a vote-based measure of ideology makes the findings of this study more comparable to the bulk of the published literature. To preclude "vote contamination" (using a vote to predict itself), we use 1989 ADA scores to predict 1990 votes.

To measure committee influence this study uses a dichotomous measure of participation in the Presidential/Congressional Budget Summit of 1990. This Summit negotiated the package that the aforementioned amendments were attempting to change. Certainly a participant in the negotiation process would more likely feel "bound" to the ensuing package of compromises than those not directly involved in the negotiation process. Senate representatives to the Budget Summit were the majority and minority leaders (Mitchell D-Maine and Dole R-Kansas), the chairperson and ranking minority member of the Appropriations, Budget and Finance Committees (Byrd D-West Virginia, Hatfield R-Oregon, Sasser D-Tennessee, Domenici R-New Mexico, Bentsen D-Texas, Packwood R-Oregon) and one member appointed by the majority and minority leaders (Fowler D-Georgia and Gramm R-Texas).³

FINDINGS

Table 1 shows the regression results. Taken together the eight predictor variables explain approximately 58 percent of the variation in senatorial support for increasing the progressivity of the Omnibus Budget Reconciliation Act of 1990.

Table 1
The Impact of Ideology, Party, Committee Membership, Electoral Status, Constituency Liberalism, and Constituency Self-Interest on Senators' Support for Increased Economic Progressivity.

| Intercept | ADA | Party | Committee Membership | Electoral Status | Percent Dukakis | State Median Family Income | Percent 65 and older | Gasoline Consump. | R ² |
|-----------|-------------------|--------------------|----------------------|--------------------|-----------------|----------------------------|----------------------|-------------------|----------------|
| -110.229 | .922*** (.175) | -7.373 (10.873) | -28.702** (9.362) | 11.926* (5.928) | .142 (.622) | .220 (1.268) | 2.647* (1.263) | .098** (.035) | .58 |

Estimated standard errors are shown in parentheses.

*p ≤ .05

**p ≤ .01

***p ≤ .001

Ideology

The .922 coefficient for ADA in Table 1 is truly impressive. This suggests that after removing the effects of all other predictor variables, a one percent increase in a senator's liberalism is associated with over a 9/10 of one percent increase in support for making the Omnibus Budget Reconciliation Act of 1990 more progressive.⁴

Political Party Affiliation

While the direction of the party coefficient is counter-intuitive (Republicans are more supportive of greater progressivity than Democrats), the coefficient is not close to attaining statistical significance.

Committee Membership

As hypothesized, membership on the Presidential/Congressional Summit negotiation team is negatively associated with supporting progressive amendments to the Omnibus Budget Reconciliation Act of 1990. All other factors being equal, membership on the negotiating unit lower support for progressivity approximately 28 percent.

Electoral Status

The results offer rather strong support for the hypothesis that running for election would make senators more supportive of additional progressivity. The magnitude of the coefficient indicates that (other factors being equal) running for election increases support for progressivity by almost 12 percent.

Constituency Liberalism

Although the sign for constituency liberalism (support for Dukakis) is positive, the coefficient is so far from attaining statistical significance that the results are best interpreted as not offering support for the hypothesis.

Constituency Income

While the coefficient for the state median family income is counter-intuitive (senators from states with higher median family incomes are more supportive of progressivity than senators from states with lower median family incomes), the coefficient does not approach statistical significance. Additionally, alternative income measures (number of estates with over \$300,000 in assets per 100,000 population and percent of families in poverty) were also statistically insignificant.

Relative Size of the Elderly Population

As the amendments attempted to improve Medicare benefits, we hypothesized a positive relationship between the relative size of the elderly population and support for the amendments. The results show strong support for the hypothesis. The coefficient for the relative size of the elderly population is both correctly signed and statistically significant.

Gasoline Consumption

Since the amendments would lower the proposed increase in the gasoline tax, our final hypothesis is that gasoline consumption per registered driver should be positively associated with support for the amendments. The results offer strong support for this hypothesis. The sign for gasoline consumption is both signed as hypothesized and statistically significant.

IMPLICATIONS

Our findings offer several important conclusions for the literature on both congressional voting and the impact of ideology and party on the distribution of income. For the congressional voting literature the findings offer strong support for an ideological interpretation of voting cleavages (Schneider 1979; Smith 1981; Poole and Daniels 1985). Second, our findings help shed light on the role of constituency influence in congressional voting. While income and constituency ideological variables were not significant, the relative size of the elderly population and gasoline consumption both had significant effects. These results suggest that well-organized and numerically important interests (e.g. the elderly) do exert

significant influence. In the case of the gasoline tax, extensive media coverage most likely galvanized those most adversely affected. As both the increases in the Medicare deductibles and gasoline tax removed benefits, or “harmed,” constituents whereas the main beneficiaries of attempts to make the federal income tax more progressive were not offered immediate benefits (income taxes for low-income taxpayers would not be reduced, at least not initially), it is not surprising that constituency influence would be greater in the former, as opposed to the latter situation.⁵ Even discounting the time difference between “current” and “future” benefit or harm, it may well be that benefits are not as great a constituency motivator as harm.

Our findings also have consequences for the literature on the impact of ideology and party on the distribution of income. As mentioned at the outset, the congressional impact on income distribution is not well understood. First, ideological differences are consistent with what the literature and popular perceptions suggest: liberals are more supportive of reducing income inequality than conservatives. Thus, we extend the findings of the impact of executive political philosophy on the distribution of income (Beck 1982; Hibbs 1977, 1983, 1987; Hibbs and Dennis 1988) to Congress. While the findings strongly confirm the view that liberals and conservatives differ on the distribution of income, they do not say by how much they differ. Thus, how much less unequal would the distribution of income be under a liberal program than under a conservative program? As the tax and spending measures used in this study do not cover the entire range of governmental redistributive policies, we cannot fully answer this question. Nevertheless, the amendments used in this study do permit an interesting partial answer to such a question. For someone earning \$1,000,000, the difference in federal income tax liability between the most progressive amendment (Levin) and the Omnibus Budget Reconciliation Act of 1990 is approximately \$24,000.⁶ This difference represents approximately 2.4 percent of their income. Additionally, it should be noted that liberal/conservative differences are likely to be somewhat greater than this comparison would indicate because by virtue of Presidential/Congressional compromises, the Omnibus Budget Reconciliation Act of 1990 would probably be best thought of as a moderately conservative, as opposed to a very conservative, act. While congressional liberal/conservative differences on federal income tax liabilities (an important component of personal income) may not seem great, they would nonetheless appear important.

NOTES

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¹I would like to thank Joseph Minarik, the Executive Director for Policy and Chief Economist for the House Budget Committee, for his advice concerning the progressivity of both the Omnibus Budget Reconciliation Act of 1990 and the four amendments to this act that are used in this study. As our focus is on attempts to make the Omnibus Budget Reconciliation Act of 1990 more progressive, several amendments to make the act less progressive are not used.

²A more complete presentation of each of the amendments used in this paper is provided in the *Congressional Record*. The appropriate citations are as follows:

- (a) Levin Amendment, October 18, 1990, S 15814-S 15816;
- (b) Gore Amendment, October 19, 1990, S 15740-S 15756;
- (c) Conrad Amendment, October 17, 1990, S 15491-S 15524;
- (d) Harkin Amendment, October 18, 1990, S 15786-S 15807.

³Information on the senatorial contingent to the Presidential/Congressional Budget Summit was provided by the Senate Budget Committee. Constituency liberalism is measured by the percentage of the statewide presidential vote for Dukakis in the 1988 general election. These data, as well as a senator's party affiliation and electoral situation (either running or not running for election in 1990), were taken from various issues of *CQ Weekly Reports*. State median family income and the percentage of the state population 65 and older were taken from the *State and Metropolitan Area Data Book 1986*. Gasoline consumption per registered driver per state was taken from the *Congressional Record* (1990, S 15483).

⁴While fears of multicollinearity between ideology, party, and constituency liberalism might cause some readers to doubt that ideology has near the impact the findings suggest, I think such a concern can be effectively allayed. If ideology is the sole predictor variable, its coefficient is .806 and the standard error is .089. If the dependent variable is then regressed on ideology, party, and constituency liberalism the coefficient for ideology is .825 and the standard error is .185. While adding party and constituency liberalism does cause the standard error for ideology to increase, a 95% confidence interval for the coefficient for ideology (.455 to 1.195) is concentrated on probable values that strongly suggest that **after removing**

the effects of party and constituency liberalism, ideology is both substantively as well as statistically significant.

⁵For an excellent review of the literature on constituency influence see Bernstein 1989, 59-97.

⁶The estimate that the Levin Amendment would increase the federal income tax liability of someone earning \$1,000,000 by approximately \$24,000 over the amount they would pay under the Omnibus Budget Reconciliation Act of 1990 is based upon the following facts and assumptions: The Levin Amendment would have raised federal income tax rates 4 percent higher than the Omnibus Budget Reconciliation Act of 1990 on income over \$200,000. Someone earning approximately \$1,000,000 would be likely to have deductions of approximately \$200,000. Therefore, the 4 percent rate differential between the Levin Amendment and the Omnibus Budget Reconciliation Act of 1990 would only apply to the income between \$400,000 and \$1,000,000. Thus, 4 percent of \$600,000 is \$24,000. I would like to thank economist Joseph Minarik for his advice on this estimate.

LEGAL CASES AND CODES

Omnibus Budget Reconciliation Act of 1990, Pub. L. No. 101-508, 104 Stat. 1388 (1990).

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