

Democratic Inequality

Lesson 8

Today's questions

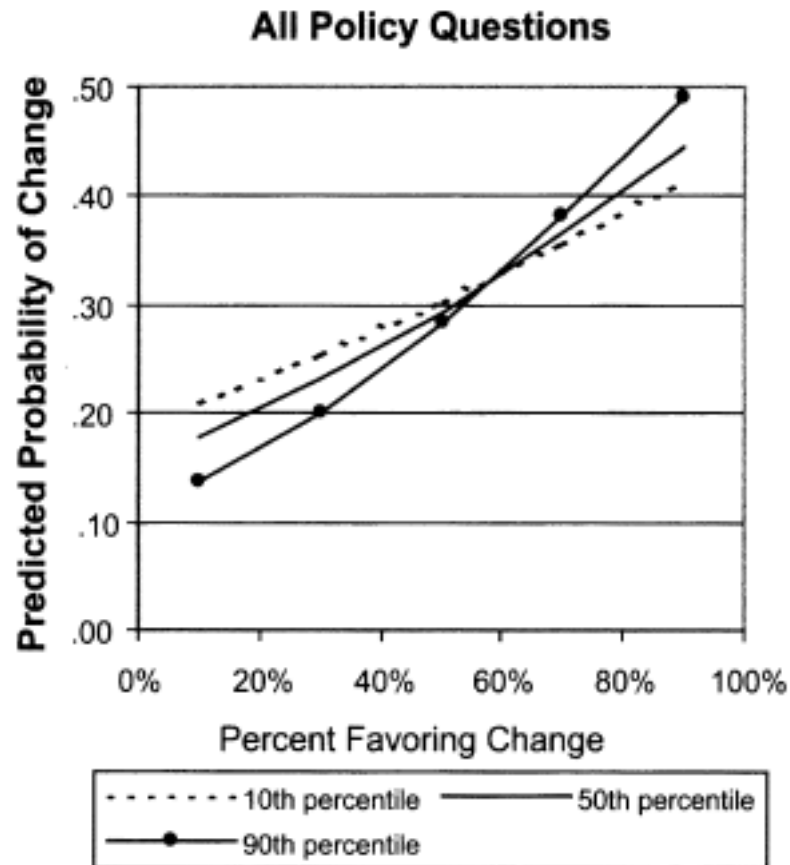
- Do some citizens have more influence than others?
- Does this influence matter?
- Is the media responsible?

Do governments listen to the rich
more than the poor?

Affluence and influence

- Look at all policy preference questions from American surveys
 - For example, “Do you support or oppose an increase in the retirement age to 67?”
 - “Do you support or oppose legalizing gay marriage?”
- Disaggregate responses by income, education
- Was policy adopted within 4 years?
- >1700 survey questions

Strong link between support and adoption



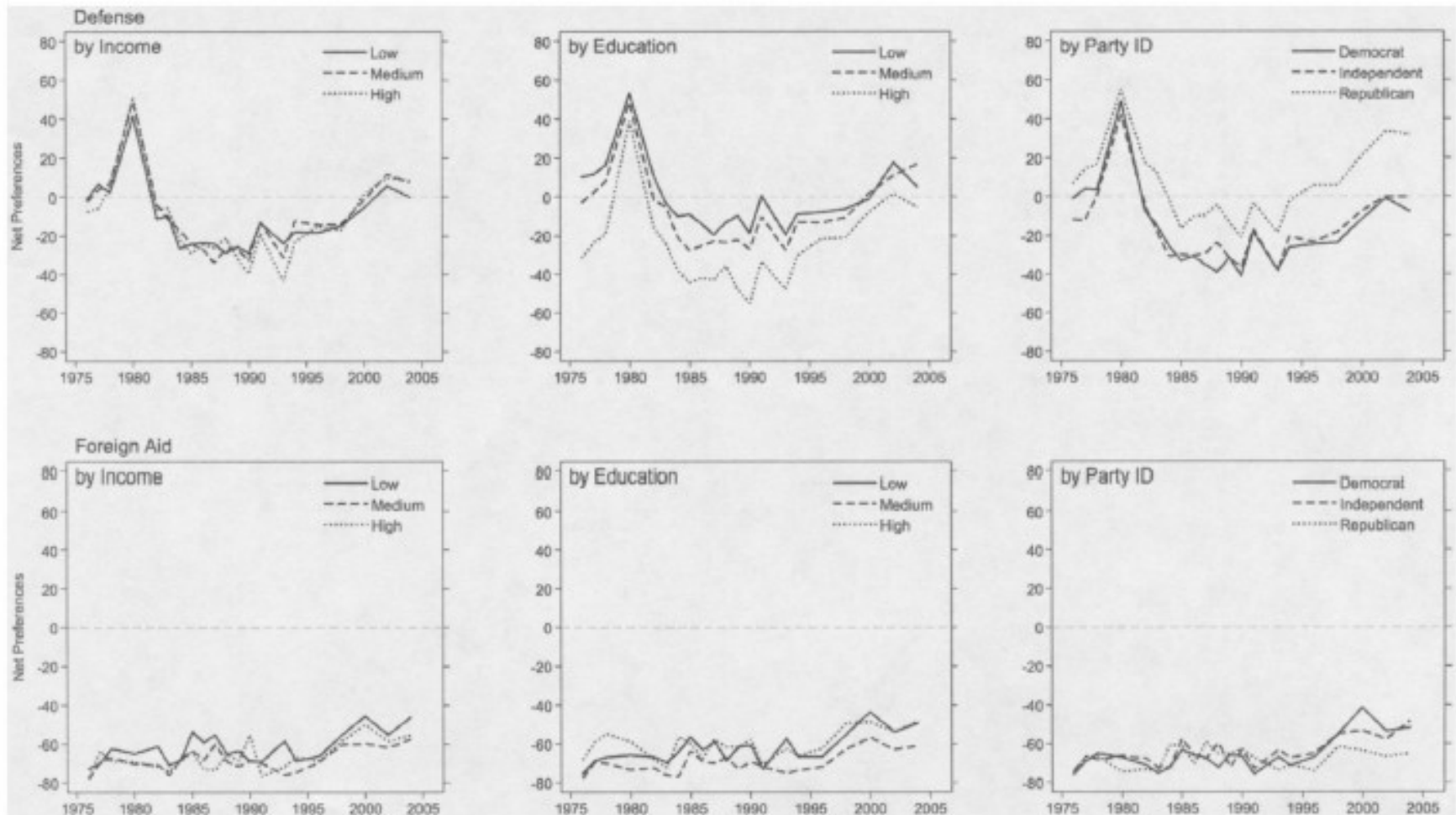
Why so little difference between rich and poor?

- Appears that both rich and poor have reasonable influence
- Why?
- Most of the time, rich and poor have similar preferences
 - For 1/3 of questions, rich and poor differ by < 8%
- Note also that even very strong support among rich or poor only leads to 40-50% of adoption
 - Most changes don't get adopted

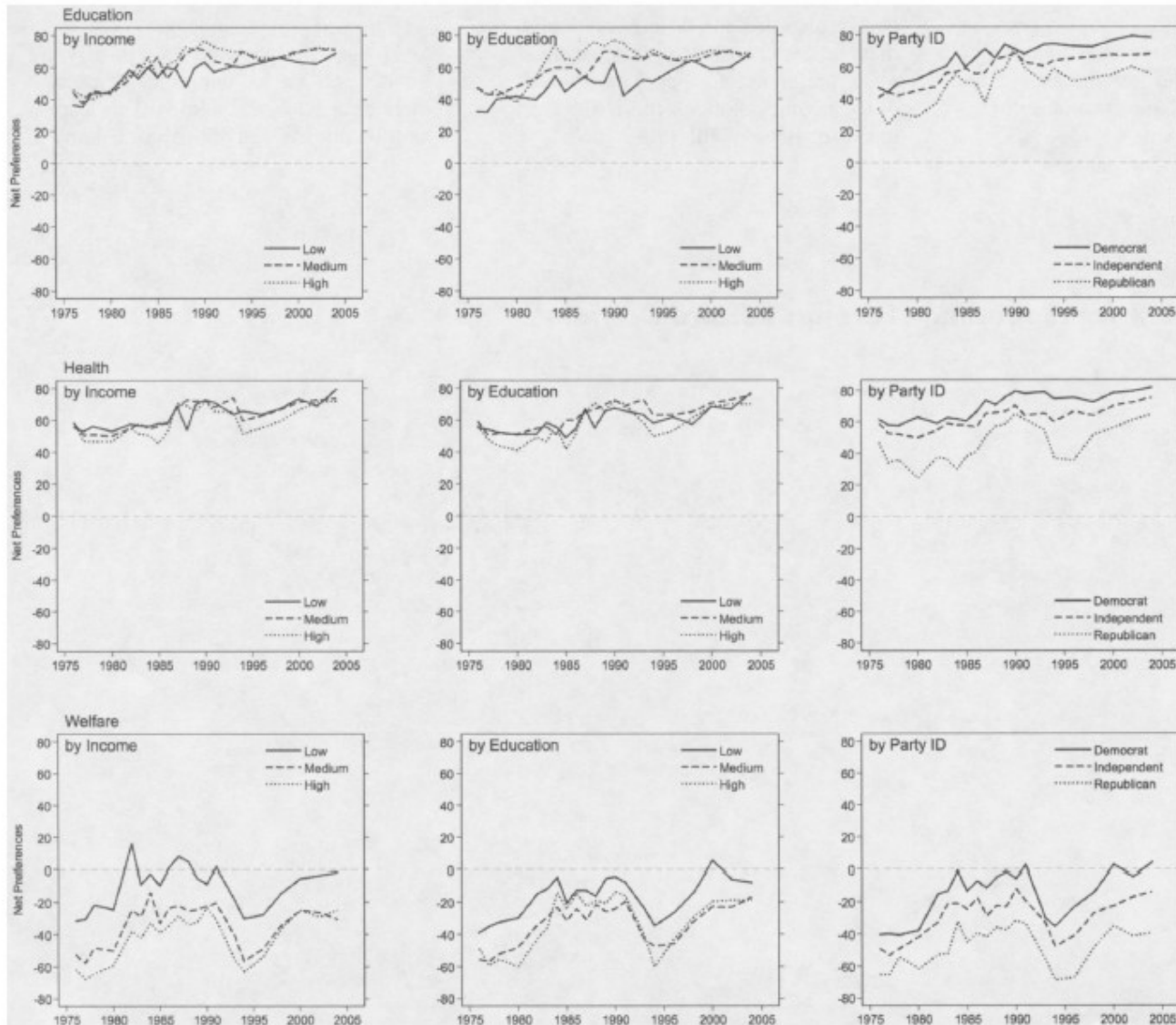
How much do spending preferences differ?

- Repeated survey question on government:
 - Should the government spend more, less, or the same on these policy areas?
- How do opinions differ by income, education, and party identification?

Spending preferences, foreign affairs



Spending preferences, social policy

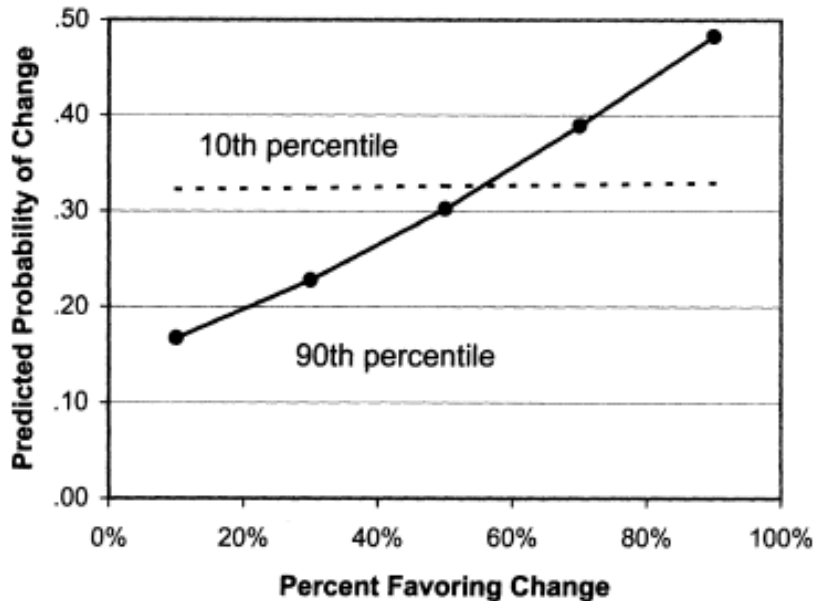


Small differences across income and education

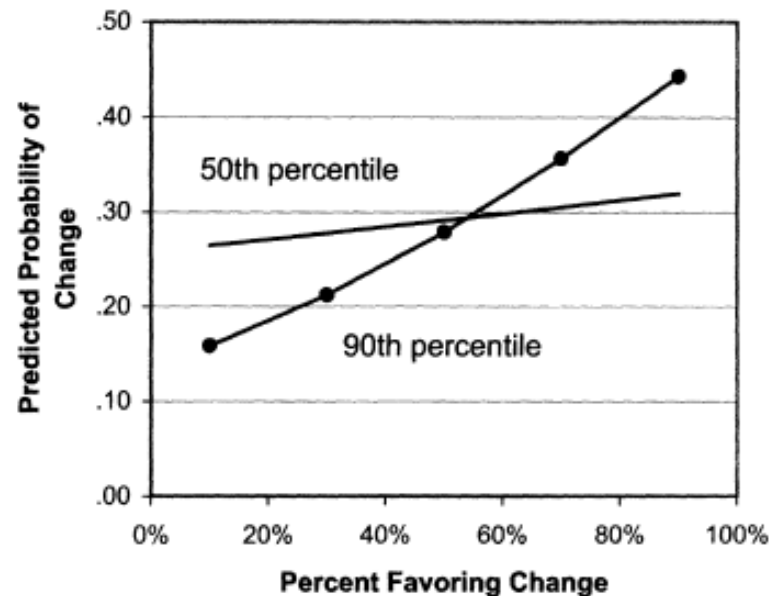
- Similar trends for most policies
 - Differences between rich and poor about 3-4%
 - Slightly larger for education
 - Even larger for party ID
- Welfare an exception: much stronger support for increased spending among poor

Focus on questions where preferences diverge

Questions where Preferences of the 10th and 90th Income Percentiles Diverge



Questions where Preferences of the 50th and 90th Income Percentiles Diverge



Is this a causal effect?

- Could there be endogeneity: does government affect preferences?
 - But opinion like a thermostat: left-wing policy => right-wing opinions
 - Few citizens have any information about what their representatives want
 - Correspondence greatest when president has average popularity, not when most popular
 - Government should have most effect on preferences of poor, most manipulable

Mechanisms of influence

- Money: rich more likely to contribute and contribute higher amounts
- Turnout: rich more likely to vote
- Coincidence: politicians mostly rich and share similar beliefs

Problems

- Distinguish between means and ends
 - If poor say: “I want tariffs” and “I want prosperity”, is it bad if politicians deliver prosperity but not tariffs?
- Many people vote retrospectively over outcomes rather than inputs
- Maybe wealthier voters more informed about which policies will produce good outcomes
- Do we want governments to listen more to the poor and less-educated?

What about the superrich?

Most studies focus only on ordinary rich

- Hard to find evidence on the political opinions and influence of superrich
- But they may be the most influential
- Very hard to contact
 - No listed phone numbers
 - Even their gatekeepers have gatekeepers
- Most do not announce their views in the media

What do the super-rich believe?

- Scholars in US contacting those with average wealth greater than \$10 million
- Findings
 - Very interested and active in politics
 - Frequent contact with elected politicians and government officials – more than 50% have personal contact with senators
- Conservative economic beliefs
 - Worried about budget, more willing to cut social programs, maintain low taxes, reduce regulation
- But liberal social beliefs – gays, minorities
- How much more influential on politics?



Webscraping on billionaires

- Look through news sources for statement by billionaires
- Most are silent – only political activity is campaign contributions: stealth politics
 - Of 23 studied, only 3 take public positions on most issues (Gates, Buffett, Bloomberg)
 - Another five make vague statements (Koch, Adelson, Icahn, Soros)
- Most try to avoid offense to consumers
 - Those who speak the most don't depend on consumers

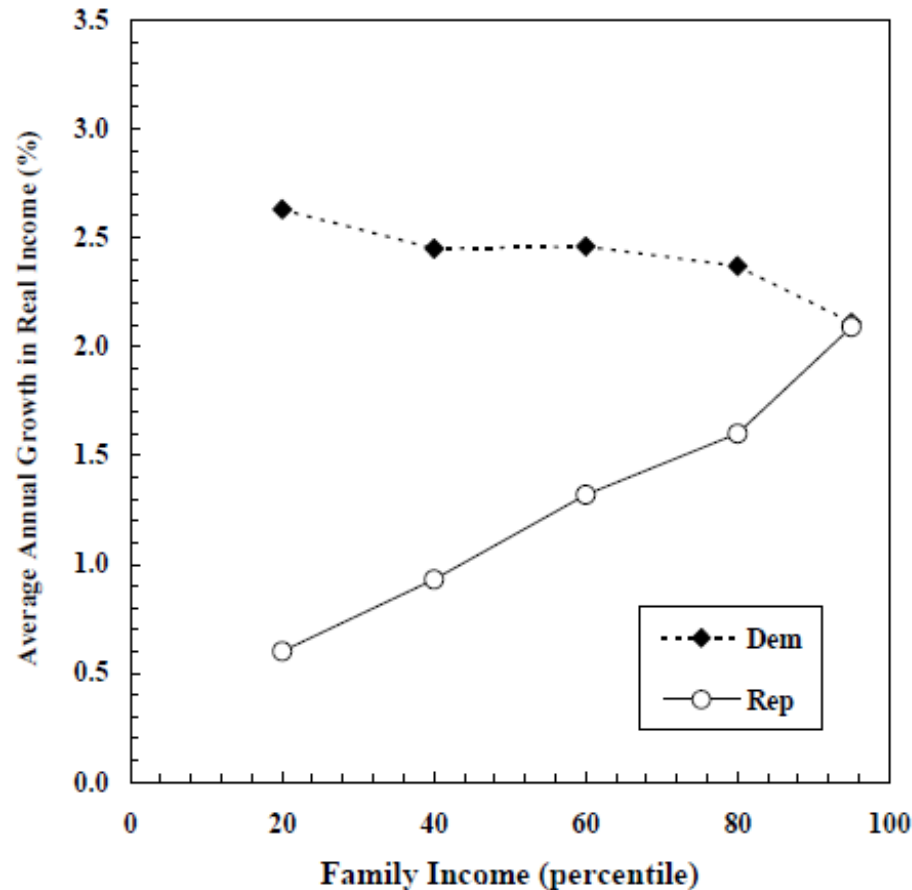
What about the poor?

- Exclusion bias: Are people who don't answer or answer "don't know" different than others?
- Poor subject to value conflicts on issues of redistribution: freedom and individualism versus fairness and equality
- Poor have fewer resources and time to gather and process information to resolve conflict
- More likely to answer "Don't know" to questions on welfare state
- Are we underestimating support for welfare state?

Does influence matter?

Income growth and government

Figure 1: Income Growth by Income Level in Democratic and Republican Administrations, 1948-2001



Does it apply elsewhere?

Table 13
Average GDP growth rates for different countries

Country	Sample Period	Political Party		Difference
		Left	Right	
United States	1949:Q2 – 2013:Q1	4.35 (0.46)	2.54 (0.45)	1.80 (0.64)
Canada	1961:Q2 – 2012:Q2	3.89 (0.38)	2.48 (0.71)	1.41 (0.80)
France	1949:Q2 – 2012:Q2	3.19 (0.51)	3.42 (0.50)	-0.23 (0.72)
Germany	1970:Q2 -2012:Q2	2.18 (0.55)	2.17 (0.51)	0.02 (0.75)
United Kingdom	1955:Q2 – 2012:Q2	2.47 (0.47)	2.67 (0.49)	-0.20 (0.70)

Notes: Standard errors (Newey-West 6 lags) are shown in parentheses.

Is media bias the problem?

What is bias?

- Can media help solve these problems or is it the cause?
- Can we say what biased reporting looks like?
 - Even pure sequence of facts not necessarily unbiased
 - Arrangement creates story, emotion, argument
- Maybe at best we can say that bias = reporting similar to other ideological actors
 - Uses same words, emphases, sources as political actors

Rise of objectivity norm

- In past most news is partisan – produced by parties
- Non-partisan reporting emerges as commercial product
- High fixed costs to producing news (early 20th c.)
 - Need to attract more readers
 - Therefore stop presenting partisan news
 - Also, rise of mass advertising: advertisers prefer to negotiate with one newspaper not five
- But politicians can manipulate this standard
 - “He said, she said” – can supply false information

Where does bias come from?

- Desires of ownership (typically families or government)
 - May sacrifice profits for ideology
 - But “need to reach in order to teach”
 - Do journalists want to follow political line?
- Need to make a profit
 - Who is your audience? What do they want?
 - Who buys products from advertisers?
- What do viewers want?
 - Study of coverage of human rights violations in US less common for allies
 - Desires of audience or government interference?

Political views of journalists

- Many studies of political beliefs, vote choices, and campaign contributions of journalists
 - In US and Western Europe, typically find that leftist – socially liberal
- Why?
 - Typical of educated, urban professionals
- What are political beliefs of Czech journalists?
- Does it matter?



Some attempts to measure bias (slant)

- Which words/phrases most associated with left and right-wing politicians?
 - To what extent do newspapers use the same words/phrases?
 - Typical US newspaper close to moderate Democrat
 - This is same as ideology of typical reader
- Amount of coverage devoted to particular issues
 - But what is the right amount?

TABLE I
 MOST PARTISAN PHRASES FROM THE 2005 *CONGRESSIONAL RECORD*^a

Panel A: Phrases Used More Often by Democrats

<i>Two-Word Phrases</i>		
private accounts	Rosa Parks	workers rights
trade agreement	President budget	poor people
American people	Republican party	Republican leader
tax breaks	change the rules	Arctic refuge
trade deficit	minimum wage	cut funding
oil companies	budget deficit	American workers
credit card	Republican senators	living in poverty
nuclear option	privatization plan	Senate Republicans
war in Iraq	wildlife refuge	fuel efficiency
middle class	card companies	national wildlife
<i>Three-Word Phrases</i>		
veterans health care	corporation for public	cut health care
congressional black caucus	broadcasting	civil rights movement
VA health care	additional tax cuts	cuts to child support
billion in tax cuts	pay for tax cuts	drilling in the Arctic National
credit card companies	tax cuts for people	victims of gun violence
security trust fund	oil and gas companies	solvency of social security
social security trust	prescription drug bill	Voting Rights Act
privatize social security	caliber sniper rifles	war in Iraq and Afghanistan
American free trade	increase in the minimum wage	civil rights protections
central American free	system of checks and balances	credit card debt
	middle class families	

(Continues)

Can public broadcasting improve knowledge?

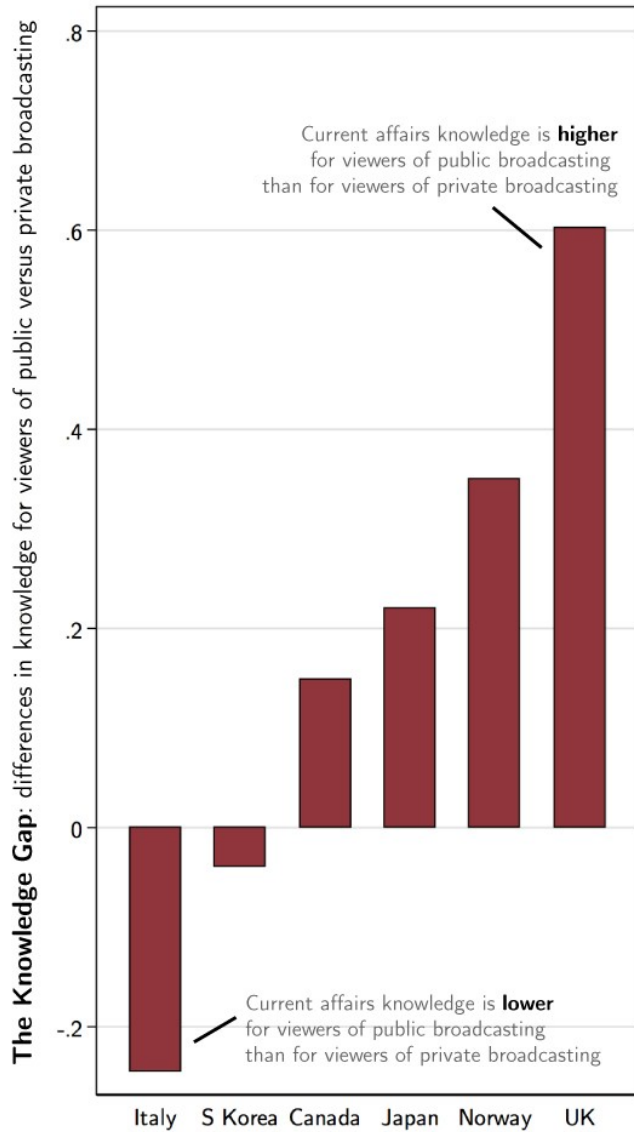
- Private media subject to market forces
 - Focus on entertaining, exciting, sexy
- Public broadcasters may be immune to market
 - Can focus on politically important information
- But does it do so?



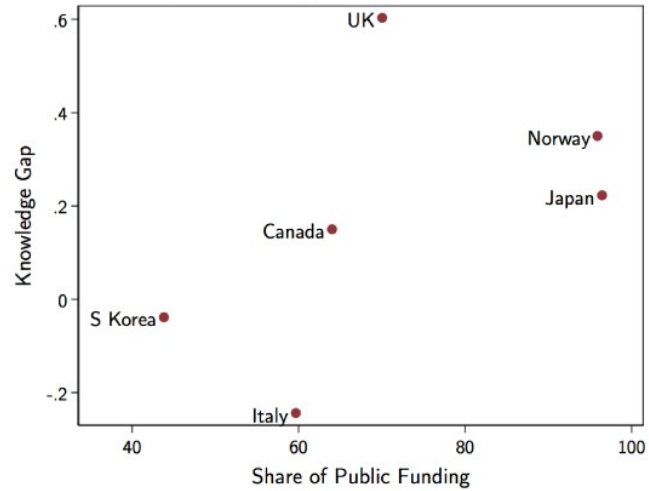
“Auntie knows best”

- Comparison of knowledge of citizens who watch public and private broadcasting
- Viewers of public broadcasting are better informed
- But only where public broadcaster
 - Receives generous funding – immune from market
 - With no strings attached – immune from political influence
- But direction of causality?
 - Knowledgeable people watch public broadcasting

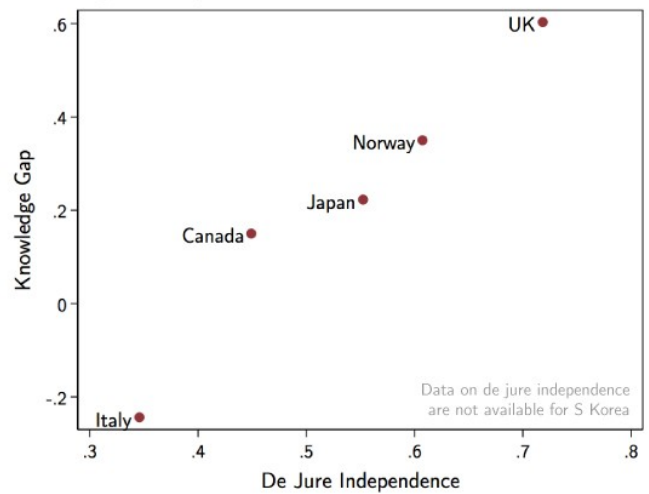
Public versus Private Broadcasting & Current Affairs Knowledge



The effectiveness of public broadcasting increases with levels of public funding:



The effectiveness of public broadcasting increases with de jure independence:



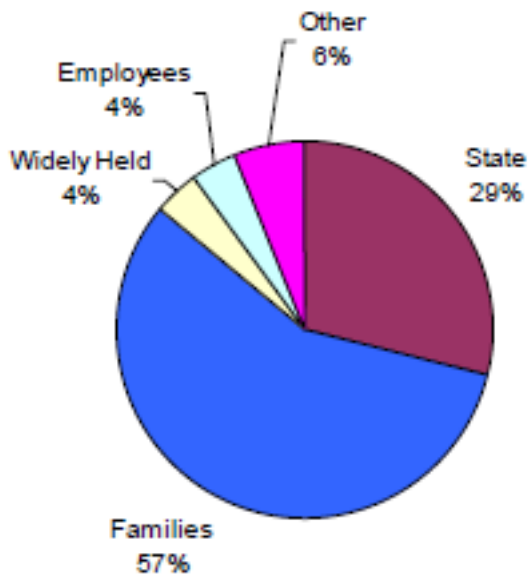
Who owns the media?

- Typically families and government (little broad ownership)
- Around world, government owns 27% of newspapers and 60% of TV
 - More common in poor and authoritarian countries
 - Especially high in Africa and Middle East
- Government ownership correlated with:
 - Journalists in prison, corruption
 - Lack of citizen rights, lack of government effectiveness
 - Worse education, apathy
- Newspapers more important than TV
- Be careful of direction of causality



Figure 4: Newspaper and TV Ownership

Press Ownership, by Count



TV Ownership, by Count

