

# The Color of Disparity: Racialized Income Inequality and Support for Liberal Economic Policies

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A corpus of research on the effect of exposure to income inequality on citizens' economic policy preferences renders inconclusive results. At the same time, a distinct body of work demonstrates that ethnic fragmentation within a polity reduces government spending, presumably due to opposition among the public to spending believed to benefit stigmatized ethnic minorities. Focusing on the American context, this short article ties these two bodies of work together by arguing that the effect of routine exposure to income inequality should depend on the racial composition of the have-nots, with citizens being most likely to support liberal economic policies in the face of pronounced inequality only when potential beneficiaries are not a highly stigmatized minority group, such as Black Americans. Using geocoded survey data, we find that exposure to local economic inequality is only systematically associated with increased support for liberal economic policies when the respective have-nots are not Black.

Research on the effect of exposure to income inequality has rendered mixed findings about its impact on public support for redistribution.<sup>1</sup> Complementing this work is research demonstrating that ethnic diversity and fragmentation are associated with reduced government spending (Alesina, Baqir, and Easterly 1999; Hero 1998). This research maintains that this finding derives from racialized economic hierarchies, where stigmatized racial or ethnic minorities are disproportionately represented among the poor and citizens oppose government spending that would benefit stigmatized minorities (Alesina, Glaeser, and Sacerdote 2001). Focusing on the United States, this study ties these bodies of work together by exploring the effect of racialized income inequality on public support for liberal economic policies, with our

primary expectation being elevated support for economic policies benefiting lower-income Americans in the face of pronounced inequality only when the respective have-nots are not stigmatized racial out-groups.

Recent work finds that exposure to income inequality generates skepticism about economic opportunity (McCall et al. 2017) and support for redistributive policies (Franko 2016; Newman 2020; Sands and de Kadt 2020). Much of the research exploring residential (Franko 2016; Newman 2020) or experimental (Boudreau and MacKenzie 2018; McCall et al. 2017) exposure to inequality, however, does not account for race as a factor often present both in people's minds when considering "the poor" and in geographic contexts with high levels of economic inequality.<sup>2</sup> In the United States,

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Replication files are available in the *JOP* Dataverse (<https://dataverse.harvard.edu/dataverse/jop>). The empirical analysis has been successfully replicated by the *JOP* replication analyst. An appendix with supplementary material is available at <https://doi.org/10.1086/718289>.

1. See Franko (2016) or Schmidt-Catran (2016) for excellent reviews of the mixed results in the literature.

2. One exception is Sands (2017), who experimentally evokes inequality by inserting poor-looking individuals into affluent contexts and varies the race of these individuals. This treatment, however, was short-term relative to the type of recurrent exposure to inequality implied by residing in a high-inequality context.

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long-standing stigmatizing linkages between Black Americans, poverty, and welfare in media discourse and the public mind (Gilens 1999) are accompanied by evidence that a notable portion of the growth in income inequality in recent decades is accounted for by between-race inequality (Hero and Levy 2016). Importantly, research establishing the centrality of racial prejudice to public opposition to welfare (Gilens 1999; Peffley, Hurwitz, and Sniderman 1997) and racial context to Whites' policy preferences (Glaser 1994; Taylor 1998) does not explicitly incorporate income inequality into theoretical or empirical models. In short, an important bridge can be built between the literature on income inequality and redistribution and scholarship on race and welfare by investigating the impact of exposure to inequality conditional on the race of the poor.

Focusing on support for liberal economic policy among the American public, we test the hypothesis that exposure to income inequality will be associated with support for liberal policies only when the respective have-nots are not stigmatized racial minorities, which in the American context has traditionally been Black Americans. Where the have-nots are stigmatized minorities (e.g., Black), existing literature on diversity and public goods (Alesina et al. 1999), the racialization of welfare (Gilens 1999), and the racial structure of economic inequality (An, Levy, and Hero 2018; Hero and Levy 2018) suggests that exposure to inequality will either have no effect or will dampen support for policies that benefit those with lower incomes. Two general and complementary rationales underlie these expectations. First, racialized economic inequality in nations like the United States is associated with stigmatizing learned negative stereotypes and legitimizing myths about the non-White poor that promote tolerance of inequality (Alesina et al. 2001; Gilens 1999). Second, mass preferences over economic policy are strongly influenced by social affinity with policy beneficiaries (An et al. 2018; Hero and Levy 2018), with support for liberal policies most likely to develop in response to inequality when the perceived lower-income beneficiaries of such policies are not disliked out-groups.

We analyze Americans' support for liberal economic policies in response to exposure to income inequality in their local residential context. We focus on local income inequality as the "treatment" because prior research demonstrates that Americans, while innumerate with respect to nationwide income inequality (Bartels 2008; Kenworthy and McCall 2008), are decidedly aware of local levels of inequality (Newman, Shah, and Lauterbach 2018). Given the long-standing targeting of Black Americans in the racialization and stigmatization of poverty (Gilens 1999; Peffley et al. 1997), we concentrate on assessing Americans' re-

sponse to local inequality conditional on the prevalence of Blacks among the local have-nots. Previous research finds that Americans are aware of the size of Black populations in their local context (Velez and Wong 2017) and that exposure to large Black populations can lead to conservative voting patterns (Enos 2016).

### THE NATIONSCOPE SURVEY

Our main analysis relies on the Nationscope survey (NS; Tausanovitch and Vavreck 2021), which is one of the largest surveys of Americans available. We use 71 waves of the NS collected from July 2019 to November 2020, yielding a large sample ( $N = 428,900$ ) that is benchmarked to national demographics. Recent research suggests that the racial structure of inequality affects not only welfare provision (Hero and Levy 2018) but also government spending on a variety of services (An et al. 2018). This work is complemented by research suggesting that rising inequality is associated with liberal shifts in economic policy mood (Franko 2016; Newman 2020) and support for policies that enhance opportunity (e.g., education spending) and regulate employer pay practices (Franko 2016; McCall 2013). Given this, our analysis focuses on respondents' support for increased government spending on services, as well for policies that benefit lower-income Americans: spending on welfare, subsidized education and health care, and raising the minimum wage. These items serve as the dependent variables in our analysis, and the inclusion of this range of items allows us to assess whether our findings are isolated to specific outcomes or emerge as a consistent pattern across different types of liberal economic policies. Each variable was coded so that higher values indicate greater support for the policy and were recoded to range from 0 to 1 (see app. A for question wording and coding).

The NS contains zip codes for all respondents, enabling us to merge in zip code data from the 2014–18 American Community Survey. The independent variable in our analysis is the *Gini Coefficient* in respondents' zip code, and the zip-level moderator used to capture the local prevalence of stigmatized racial minorities is the *Percentage in Poverty Black*, which is the total number of Black persons living in poverty divided by the total persons living in poverty. While this variable captures the prevalence of Blacks among the local poor, it is highly correlated with the overall zip code percentage Black ( $r = .93$ ), making it unsurprising that the results presented below are nearly identical when using percentage Black as the moderator (see table B4). We estimate linear probability models with heteroscedastic-robust zip code clustered standard errors that include zip-level controls (median income, unemployment, and population density),

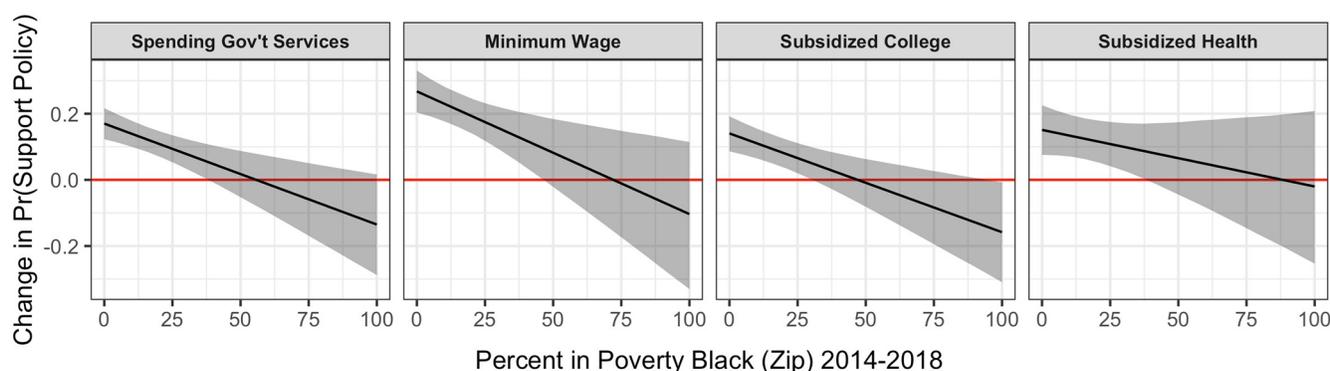


Figure 1. Effect of local income inequality on support for liberal economic policies conditional on racial composition of the poor. Changes in probability of policy support associated with increases in recoded zip code Gini Coefficient across the full range of *Percentage in Poverty Black*, holding all other variables at their means; 95% confidence intervals generated from heteroscedastic-robust standard errors clustered at zip code level. Full data are in table B1.

individual-level controls (education, income, age, gender, race, and partisanship), survey-wave fixed effects, and county-level Republican vote share in the 2016 presidential election. Given our focus on Black Americans as the stigmatized group potentially conditioning the effect of local inequality, as well as evidence that Latino and Asian Americans harbor anti-Black prejudice at rates equal to or greater than Whites (Johnson, Farrell, and Guinn 1997; Krupnikov and Piston 2016), we perform our analysis on non-Black respondents; however, we demonstrate that our results hold when confined to non-Latino Whites (table B3). Our principal expectation is that an increase in local income inequality will be associated with greater support for liberal economic policies when the accompanying local have-nots are not Black. When the local have-nots are heavily Black, however, our expectation is that an increase in local inequality will either have no effect or will be associated with more conservative policy preferences.

Figure 1 (see also table B1) presents the results from our analysis via changes in the predicted probability of policy support associated with an increase in Gini across values of *Percentage in Poverty Black*. In contexts absent Black people living in poverty, an increase in local inequality is consistently associated with significant increases in policy support. The constituent terms for Gini at the minimum value of *Percentage in Poverty Black* across the four models are  $\beta = 0.17, p < .001$  (spending on services);  $\beta = 0.27, p < .001$  (raising minimum wage);  $\beta = 0.14, p < .001$  (spending on education); and  $\beta = 0.15, p < .001$  (subsidized health care). Conversely, in contexts with numerous Black people living in poverty (i.e., the max value of *Percentage in Poverty Black*), the effect of local inequality is consistently statistically indiscernible from zero and the estimates are negative for three of the four outcomes. In examining the interaction

terms from the models underlying figure 1, we find negative terms that are statistically significant in three out of four cases:  $\beta = -0.31, p < .001$  (spending on services);  $\beta = -0.37, p = .01$  (raising minimum wage);  $\beta = -0.30, p < .001$  (subsidized education); and  $\beta = -0.17, p = .21$  (subsidized health care).

In sum, for all four outcomes, the conditional effect of Gini when the local poor are not Black is in the expected direction and statistically significant. Moreover, for three out of four outcomes, the estimated conditional effects of Gini are statistically different from one another at low and high values of *Percentage in Poverty Black*. In one case (subsidized health care), the estimated interaction fails to attain significance, leaving us only with the observation that the moderator defines conditions under which Gini exerts statistically significant positive effects (zips absent poor Blacks) and effects statistically indiscernible from zero (zips with numerous poor Blacks). Overall, the results provide preliminary evidence that the race of the have-nots may influence how Americans respond to high levels of economic inequality.

The pattern of results in figure 1 holds when excluding control variables (table B2), restricting the sample to non-Latino Whites (table B3), using percentage Black as the moderator (table B4), logging the *Percentage in Poverty Black* to adjust for right skew (table B5), using logistic regression (table B6), estimating multilevel models (table B7), and using the diagnostic check on interactions recommended by Hainmueller, Mummolo, and Xu (2019; fig. B1). Importantly, results do not replicate when examining Black respondents (table B8). Given the observational nature of our data, it is possible that our results are due to residential selection, with left-leaning (right-leaning) Americans selecting into high (low)

Table 1. Replication Tests Using 2018 Cooperative Congressional Election Study

	Spending Welfare (Ordered Logit)	Minimum Wage (LPM)	Spending Education (Ordered Logit)	Spending Health (Ordered Logit)
Gini Coefficient	1.271*** (.165)	.175*** (.035)	.754*** (.176)	1.004*** (.169)
Percentage in Poverty Black	-.024 (.410)	.111 (.084)	1.309** (.432)	1.417*** (.421)
Gini × Percentage in Poverty Black	.303 (.692)	-.188 (.139)	-1.439* (.733)	-2.036** (.709)
Controls?	Yes	Yes	Yes	Yes
Observations	42,005	42,095	41,967	42,004
R <sup>2</sup>	.280	.251	.157	.236

Note. Regression coefficients with zip code–clustered heteroscedastic-robust standard errors in parentheses. Full regression results can be found in table B9. LPM = linear probability model.

\*  $p < .05$ .

\*\*  $p < .01$ .

\*\*\*  $p < .001$ .

inequality zip codes without poor Black people. Appendix C contains results from analyses that assuage concerns over differential partisan selection, including analysis of support for non-economic policies with left-right opinion divides (table C1), controlling for urbanization and whether a neighborhood is walkable (tables C2 and C3), and subsample analyses by zip code residential tenure (i.e., householder move-in dates; table C4).

### REPLICATION TESTS

We perform replication tests using the 2018 Cooperative Congressional Election Study (CCES;  $N = 60,000$ ; Schaffner, Ansolabehere, and Luks 2019). While the sample size of this survey is nearly 7.5 times smaller than the NS, it is the largest sample of Americans available within a close time period to the NS. To make these analyses comparable to those using the NS, we use questions in the 2018 CCES soliciting support for spending on welfare, education, and health care, as well as for raising the minimum wage (see app. A). We estimate each model using the same controls used in the NS and present results for key parameters in table 1. For all four outcomes, we observe positive and significant constituent terms for Gini, indicating that residing in a high inequality area is associated with increased support for liberal economic policies when the local have-nots are not Black. Alternately, when the local poor are heavily Black, the estimates for Gini are attenuated and indiscernible from zero for three out of four outcomes. Moreover, for two outcomes, the interaction term is significant, indicating the estimated effects of Gini at min and max values of *Percentage in Poverty Black* are significantly different from one another.

### CONCLUSION

The findings in this short article provide evidence that the presence of stigmatized racial minority groups among the poor may condition how public opinion responds to income inequality. Eight models are presented using two large data sets: we find positive and significant effects of Gini when the have-nots are not Black in all eight models, we find effects indiscernible from zero when the have-nots are heavily Black in all but one model, and we find negative interaction terms in all but one model. The balance of evidence suggests that the race of the poor defines a condition under which exposure to inequality is associated with support for liberal economic policies and a condition where it is not. As predicted, we find uniform evidence that exposure to inequality when the respective poor are not Black is associated with increased support for liberal policies. These findings bear on the puzzle of unabated inequality growth in the United States, by adding evidence in support of the long-standing assertion that ethnic fragmentation can undermine class-based collective action in pursuit of redistribution (Alesina et al. 2001).

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