

The Impact of Income Inequality on Ideology and Public Opinion: Evidence from a Panel of US States

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We study the impact of income inequality on ideology and public opinion in the US over the period 1975-2013. The analysis uses a new, high-quality data set of various state-level inequality measures (the Gini and the Theil indices, percentile ratios, top income shares), which are corrected for censoring and under-reporting. The dependent variables include state party identification and ideology (liberals vs conservatives), as well as public opinion indicators about spending on education and welfare, policy mood (public support for government activity), presidential approval and consumer sentiment. We address the issue of endogeneity by using various instrumental variables identification strategies. The paper also discusses potential explanations for obtained empirical results and derives policy implications.