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## Party Control and the Taxation of the Rich

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Poster Presentation 4

**PARTY CONTROL AND THE TAXATION OF THE RICH**

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In the United States, many people identify themselves as either Democrats or Republicans. The two parties represent different ideologies that tend to attract different constituencies. Democrats tend to favor more government intervention to correct market failures, and to redistribute income in order to reduce the inequality among the classes. Republicans tend to have more faith in the capitalist system, and consequently prefer less government intervention. If the two parties actually act on their different ideologies, then the party in control should help explain policy outcomes. However, previous research, focusing on the link between Democratic party control and increased levels of spending, has yielded mixed results.

This paper examines the link between Democratic party control and tax policy. Based on their ideological differences, Democrats should tend to prefer a more progressive tax rate structure to redistribute income to the lower classes, while the Republicans should tend to prefer a flatter tax rate structure as an incentive to work. Hence, greater Democratic party control should result in a more progressive tax rate structure.

Over the period of 1960 to 1993, a measure of the overall progressivity of the tax rate system is developed by taking the difference between the tax rate of the rich, defined as the top ten percent of taxpayers, and the overall tax rate for each year. The independent variables include measures of the proportion of Democrats in the House of Representatives, the Senate, and the President's party affiliation. The average family income and the unemployment rate are used as control variables to isolate the party impact. Empirical results demonstrate that party affiliation of legislators assists in explaining the progressivity of the tax rate structure.