

The Economic Roots of External Efficacy: Assessing the Relationship between External Political Efficacy and Income Inequality

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Introduction

This paper addresses and connects two important concepts in American politics: external political efficacy and income inequality. External political efficacy—the belief that government officials and institutions are responsive to the demands of its citizens—has steadily declined since the 1960s. External political efficacy’s decline is often viewed as a symptom of greater problems in the American political system. It is most notably used as an explanatory factor in understanding different forms of political participation (Bowler and Donovan, 2002; Chamberlain, 2013; Finkel, 1985; Platt, 2008; Pollock, 1983; Valentino et al., 2009) and voter turnout (Abramson and Aldrich, 1982; Mangum, 2003). However, scholars have been unsuccessful in explaining the reasons *why* external political efficacy in the American electorate has steadily declined. This is unfortunate. Since the United States is a democratic society, it is vitally important that the voices of all political participants are heard, and studying the causes of changes in external political efficacy is essential for understanding how democratic political systems operate (Chamberlain, 2012).

Income inequality is also an important area of study in American politics. Political decisions have distributional consequences, and one of the most important distributional outcomes of the political process is determining how the economic pie will be divided (Kelly, 2005). Income inequality in the United States has risen rapidly over the last thirty years and a lot of

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research is devoted to understanding the effects of growing income inequality on the American political system (Bartels, 2008; Gilens, 2005, 2012; Hacker and Pierson, 2010; McCarty et al., 2006). While there are some conflicting findings (see, for example, Bennett, 2006; Soroka and Wlezien, 2008), most analyses point to increasing income inequality negatively affecting the American political system. Specifically, research demonstrates that income inequality may shape the political agenda by crowding out policy alternatives important to the middle class and poor in favour of policies of importance to wealthier citizens. The crowding out of policies important to the middle class and the poor in turn leads to decreasing political participation and, ultimately, lower voter turnout (Schattschneider, 1960; Solt, 2010).

Research on income inequality implies that increasing income inequality leads to lower levels of external political efficacy in the electorate. However, this has never been tested empirically.¹ This paper attempts to fill this void in the research by examining income inequality's effect on external political efficacy. Using a multilevel dataset that combines individual attributes with state and yearly information on electoral and economic contexts, my results provide evidence that increasing income inequality in the American states has important negative consequences for levels of external political efficacy in the American electorate.

External Political Efficacy: Definition, Measurement and Decline

American politics scholars have studied political efficacy for decades. Initially, scholars defined political efficacy as the feeling that one's actions can and do have an impact on the political process (Craig et al., 1990). Scholars have since broken political efficacy into two components: internal political efficacy and external political efficacy. Internal political efficacy is defined as one's belief in his or her ability to understand and effectively participate in politics. External political efficacy, on the other hand, measures one's belief that political leaders and government institutions are responsive to the demands of its citizens (Balch, 1974).

Although these two concepts are distinct, scholars have encountered problems measuring both concepts and at times have confused the two. There is debate about how to correctly measure external political efficacy, and scholars have attempted to capture properties inherent in external political efficacy's definition, including response variation across time and the different effects local, state and national politics may have on external political efficacy (Chamberlain, 2012; Craig et al., 1990). However, scholars agree that despite their flaws, two questions in the American National Election Studies tap external political efficacy's true definition. The first question asks respondents to respond to the statement: "People like me

Abstract. External political efficacy, the belief that government is responsive to the demands of its citizens, has been declining in the United States since the 1960s. However, scholars do not yet fully understand the reasons for its decline. Nor have they found suitable explanations for why it fluctuates within the electorate. Drawing on the growing literature on the effects of income inequality on public policy, I posit that increasing income inequality factors into the decline of external political efficacy. Using multilevel regression models accounting for individual and contextual factors, I find increasing state-level income inequality has a substantial negative effect on external political efficacy. It is greater than most state and national-level economic measures or individual-level variables on external political efficacy. These results have important implications both for research on income inequality and political participation and also for research on income inequality and distributional public policy.

Résumé. Aux États-Unis, l'efficacité politique extérieure—la conviction que le gouvernement répond aux demandes de ses citoyens—est en constant déclin depuis les années soixante. Néanmoins, les chercheurs ne comprennent pas complètement les raisons de ce déclin. Ils n'ont pas trouvé non plus d'explications satisfaisantes à ces fluctuations parmi les électeurs. En faisant appel au volume croissant de la littérature au sujet des effets de l'inégalité de revenus sur la politique publique, je pose comme principe que l'augmentation de l'inégalité des revenus contribue au déclin de l'efficacité politique extérieure. En utilisant les modèles de régression à plusieurs niveaux pour les facteurs individuels autant que contextuels, je trouve que l'augmentation de l'inégalité des revenus au niveau des États a un effet négatif fondamental sur l'efficacité politique extérieure. Cet effet a un impact sur l'efficacité politique extérieure plus important que celui de la plupart des mesures économiques au niveau national ou étatique, ou que celui des variables au niveau individuel. Ces résultats ont des implications importantes sur la recherche sur l'inégalité des revenus et la participation politique, ainsi que sur la recherche sur l'inégalité des revenus et la politique publique de distribution.

don't have any say in what government does.” The second question asks respondents to respond to the statement: “I don't think public officials care much what people like me think.” The answers to these questions are then combined into an index that measures individual and aggregate external political efficacy levels (Chamberlain, 2012; Craig et al., 1990; Niemi et al., 1991).²

The interesting problem facing scholars is to explain why levels of external political efficacy in the American electorate are steadily declining and what effects this decline has on the political system. While levels of internal political efficacy have steadily increased over time, levels of external political efficacy have consistently declined since the 1960s. In a seminal study, Abramson and Aldrich (1982) credit the decline in external political efficacy—in conjunction with declining partisanship—as a key reason for declines in national electoral participation. These two factors may have impacted voter turnout from the 1960s to the 1980s, but since then, partisanship and national electoral participation have risen (Bartels, 2000). This has led some to think that Abramson and Aldrich's claims of external political efficacy's effect on turnout may be overstated

(Timpone, 1998). A possible explanation may be the concomitant rise and moderating effect of internal political efficacy in the American electorate. Individuals with high internal political efficacy are likely to vote because they see themselves as capable participants in the political process. Yet these same individuals may nevertheless have low external political efficacy because they believe the groups to which they belong are unrepresented in the political system (Craig, 1980; Mangum, 2003; Michelson, 2000; Schur and Kruse, 2000; Teixeira, 1987).

Nor can changing political cultures account for external political efficacy's decline. Chamberlain (2013) demonstrates that before 1980 individuals embedded in individualistic, moralistic and traditionalistic political cultures had different levels of external political efficacy. However, differences among cultures disappeared beginning in 1980, and now levels of external political efficacy in these cultures are similar and move in tandem with one another over time. His analysis concludes that political culture no longer has a substantive effect on external political efficacy.

Declining political trust can also not be considered a culprit in external political efficacy's decline. While these two concepts are related, they are distinct from one another. External political efficacy measures a respondent's belief that government is responding to citizens' demands regardless of the quality of its outputs. Political trust, on the other hand, is based on a normative belief about the quality of government outputs (Chamberlain, 2012; Craig, 1980; Hetherington, 1998; Pollock, 1983). Although both external political efficacy and political trust have declined over time, the cause of their simultaneous decline is still unclear, for different processes appear to be at work in the declines of each. For example, Anderson (2010) shows that fostering a sense of community raises external political efficacy and personal trust but not political trust. Likewise, Craig hypothesizes that external political efficacy is an important predictor of political trust. When speaking of political mobilization, he states that, "external political efficacy may produce a behavioral response regardless of one's feelings of trust or cynicism... In addition, cynicism will be a function of specific dissatisfactions other than external inefficacy" (Craig, 1980: 206). Craig also states that, "the recent decline in external inefficacy may have been moderated by rising levels of education and internal efficacy among the mass public... These factors are essentially unrelated to political trust" (206). Although it has been posited that trust may affect external political efficacy, no empirical evidence of this relationship has been found (Chamberlain, 2012).

Suffice it to say that while the extant research on external political efficacy acknowledges its effect on electoral participation and political participation more generally, it has not fully succeeded in finding the underlying causes as to why external political efficacy has declined and stayed at very low levels since the 1960s. A simple and reasonable answer I propose as a

solution to this puzzle is the following: low levels of external political efficacy in the United States can be explained through economic outcomes, and particularly through growing income inequality. Several studies have looked at economic indicators to measure changes in external political efficacy (Chamberlain, 2012; Lewis-Beck and Stegmaier, 2000). To date, however, none of the economic indicators used accounts for external political efficacy's decline. In the next section, I will discuss the reasons why increasing income inequality in the United States may be linked to declining levels of external political efficacy.

External Political Efficacy and the Economy: The Role of Income Inequality

Although several analyses demonstrate that increasing income inequality causes predictable changes in public opinion (see, for example, Gilens, 2009; Kelly and Enns, 2010; McCarty et al., 2006), none directly test whether increasing income inequality in the United States may be linked to declining levels of external political efficacy. However, several analyses present findings that lead to the inference that there may be a connection between the two concepts.

Research demonstrates that both rich and poor Americans are aware that income inequality in the United States has been rising since at least the 1960s. Furthermore, awareness of increasing income inequality is nontrivial: people are also *concerned* about increasing income inequality (Kelly and Enns, 2010; McCall and Kenworthy, 2009). The public is also generally aware that direct and indirect government expenditures have an effect on the economic wellbeing of those in higher and lower income brackets and that people in those income brackets adjust their policy mood based on those government expenditures (Ellis and Faricy, 2011; Kelly, 2009).

How and why public attitudes change due to increasing income inequality, however, has still not been fully explained. Kelly and Enns (2010) find that macro level public opinion changes as a result of increasing income inequality. Their most significant discovery is that increasing income inequality decreases public mood liberalism, and that this change happens to those in the top *and* bottom income groups. Their conclusion appears to be counterintuitive yet is fully in line with Benabou's conclusion (2000) that as long as government redistribution increases general welfare and income inequality is below a certain threshold, the public will prefer more conservative redistributive policies. However, their work examines the macro polity and does not attempt to discern what affects individual policy mood. Their only assumption about individual behaviour is that individuals only care whether individual gains from redistribution are greater than the costs to their own financial situation.³

Individual level research examining the effect of income inequality on citizens' views of politics emphasizes the possible negative consequences it may have on representation of the middle class and the poor (Bartels, 2008; Gilens, 2009). Specifically, this line of individual, cross-sectional research shows that the rich and the poor have differing opinions about how economic resources should be distributed (Gilens, 2005; McCall and Kenworthy, 2009). Despite these differences, it is very difficult to move policy away from the status quo to change levels of inequality (Brady and Volden, 1998; Enns et al., 2014; Gilens and Page, 2014; Krehbiel, 1998). If it is indeed moved, the evidence shows that policy makers are more likely to listen to those at the top of the income scale than those at the bottom (Bartels, 2008; Garand, 2010; Gilens, 2005, 2009; Gilens and Page, 2014; Schattschneider, 1960; Solt, 2010).

The ultimate conclusion of supporters of the unequal representation thesis is that as income inequality increases, those at the bottom of the income distribution will forego participating in politics. E.E. Schattschneider (1960) first articulated the hypothesis that increased income inequality would lead to greater income bias and less participation generally because those with more economic resources would be able to crowd off the political agenda policy alternatives favourable to the middle class and the poor in favour of their own preferred policies. Solt (2010) finds evidence supporting this hypothesis by showing that voter turnout in gubernatorial elections declines in states with greater levels of income inequality. His analysis also shows that as the number of middle class and lower class voters declines, the electorate in a state becomes biased more toward its wealthiest voters.

Solt does not expressly test if increasing income inequality leads to lower levels of external political efficacy. However, an extension of his logic creates the possibility that there may be a link between the two concepts. By definition, external political efficacy is related to the perceived responsiveness of government to the demands of its citizens (Chamberlain, 2012). If Schattschneider's hypothesis is correct and those with more economic resources are indeed able to remove policy alternatives beneficial to the lower and middle classes from the political agenda, then it makes sense that those in the lower and middle classes will begin to believe that their government is no longer responsive to their political demands. In short, it is likely that increasing income inequality may be an important factor in explaining decreasing external political efficacy.

Linking Income Inequality and External Political Efficacy

I posit in this section that increasing income inequality in the United States is an important predictor of decreasing external political efficacy in the

American electorate. There is considerable circumstantial evidence linking greater income inequality to declining external political efficacy. However, the inferred linkage has not been adequately explained or tested.

Theoretically, this analysis falls in line with the literature on unequal representation arising from growing income inequality. At the heart of this perspective is the contention that economic inequality begets political inequality. This creates a “vicious cycle” where income inequality becomes self-reinforcing (Kelly and Enns, 2010: 857). The unequal representation perspective suggests that the reason income inequality becomes self-reinforcing is because the political inequalities arising from increasing income inequality prevent the middle class and the poor from using government to curb economic disparities. The most obvious way the unequal representation perspective can manifest itself is by observing the adoption of policies that benefit the wealthy. To this end, Bartels (2008) finds that the Senate’s voting behaviour on roll call votes aligns more closely with the wealthy than with the poor. Gilens (2005) finds that, although the preferences of the rich and poor are often congruent, policy makers are much more likely to change policy to favour the rich when the policy preferences of the rich and the poor diverge. The second way economic inequality can become self-reinforcing is via status quo bias that creates what Hacker and Pierson (2010) call policy drift. According to Hacker and Pierson, policy drift occurs when government fails to adopt new policies to address new economic realities.

The conclusion of this literature is that the wealthy are represented more extensively in the political process. This comports with Gilens and Page’s evidence (2014) that the American political system operates in favour of economic elites and groups representing business interests. They find no evidence that the political system is responsive to average citizens or majoritarian interest groups. Their conclusions comport with the proposition that decreasing external political efficacy is fueled by growing income inequality. While measured at the individual level, there are group and system-level components to external political efficacy. External political efficacy is affected by factors outside the individual and is also shaped by community or group membership, especially when a group is homogenous (a racial minority, for example), speaks in a common voice, or can demonstrate strength in numbers (Anderson, 2010; Koch, 1993; Mangum, 2003; Michelson, 2000). When citizens recognize that government leaders and institutions are not responsive to the needs of their group but are responsive to the political needs of other groups, levels of external political efficacy should decline.

This also aligns with E.E. Schattschneider’s hypothesis that the source of suppression of the value of one’s vote is the crowding out of issues desired by the middle class and the poor, thereby narrowing the scope of conflict (Schattschneider, 1960). Recall that Solt (2010) finds that

increasing income inequality at the state level depresses voter turnout in gubernatorial elections. What causes citizens to conclude that the value of their vote has declined? Declining external political efficacy provides a sensible answer to this question. As income inequality increases, the wealthy will be better able to define the policy alternatives available to the electorate.⁴ These alternatives, however, are not the desired alternatives of poor and middle class voters, and the increasing unavailability of resources among these voters prevents them from defining policy alternatives in line with their interests.⁵ Furthermore, these voters also witness government respond to the demands of wealthier groups in the political process.⁶ The increased inability of these citizens to define policy alternatives, coupled with the perception that government is only responsive to the demands of wealthier citizens, leads to the belief that government is not able or willing to meet their needs. This leads to a decline in external political efficacy. It is only after this decline that we will see a decline in voter turnout among the poor and middle classes. This explanation leads to the following hypothesis: *Electorates with greater income inequality will have lower levels of external political efficacy.*⁷

An alternative hypothesis of the relationship between income inequality and external political efficacy is that the relationship is spurious, and that other intervening variables are responsible for external political efficacy's decline. It could also be plausible that income inequality's effect on external political efficacy is sporadic and only explains external political efficacy's decline at different points in time. First, it should be stated that income inequality is not a panacea. Other factors are quite likely driving down levels of external political efficacy as well. However, I believe income inequality will exert its own independent effect on external political efficacy. Second, the models included in this analysis account for the effects of time in two ways. The first is by including a variable accounting for whether respondents were questioned during a presidential election year. The second is by the nature of the models themselves. The multilevel models used here calculate separate error terms for each state and each year, thus accounting for year and state-specific effects and reducing the risk of omitted variable bias (Steenbergen and Jones, 2002).

Data and Method

I analyze the effects of income inequality on external political efficacy in a cross-sectional analysis. It is important to analyze differing levels of income inequality and external political efficacy in a variety of contexts. Therefore, I focus on individual-level analyses of income inequality's effect on external political efficacy in different states during different years. Doing so provides the greatest possible variation in the variables of interest because both

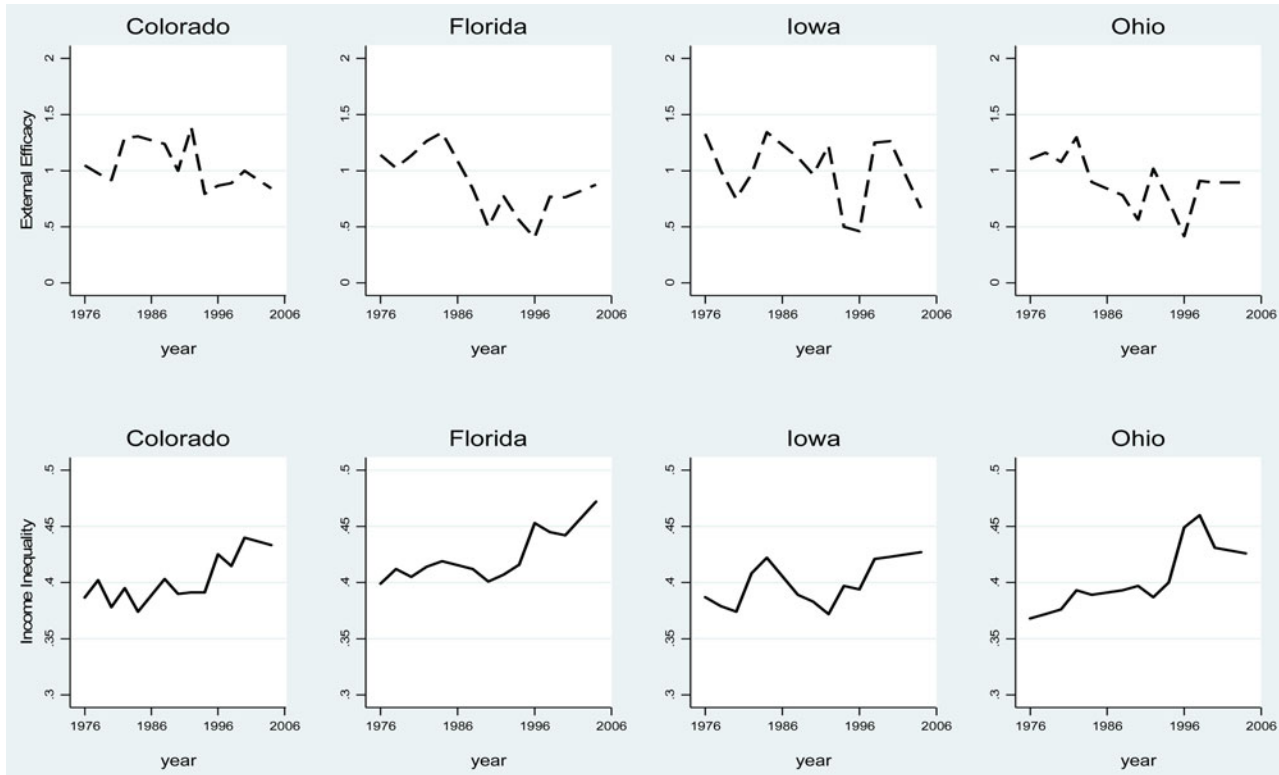
income inequality and external political efficacy vary greatly across states and over time (Chamberlain, 2012, 2013; Kelly and Witko, 2012; Solt, 2010). Figure 1 displays the variation in income inequality and external political efficacy in four different states: Colorado, Florida, Iowa, and Ohio. A review of Figure 1 shows that there can be a great deal of variation in income inequality and external political efficacy over time both within and across states. Furthermore, Figure 1 shows that, at least in these four states, external political efficacy has declined over time, while income inequality has risen.

Analyzing income inequality at the state level also has other benefits. States now play a much greater role in defining the winners and losers of distributional outcomes, especially since the Republican takeover of Congress in 1994 (Kelly and Witko, 2012). While citizens recognize the growth of income inequality at the national level, they are more likely to observe its effects locally via social comparison (Killian et al., 2008; Newman et al., 2015; Panning, 1983; Tversky and Kahneman, 1991). Furthermore, there is research finding that state governments perform better and are more responsive to their citizenries when they have greater levels of social capital (Knack, 2002). To meet this end, this study analyzes individual levels of external political efficacy from 1976 to 2004. Most of the data used in this analysis come from the American National Election Studies Cumulative Data File. The data were collected during every presidential and mid-term election year except for 1986 and 2002.⁸

External political efficacy

The dependent variable in this analysis is an individual's external political efficacy index score as measured in the American National Election Study Cumulative Data File. The American National Election Study produces the index by combining individual answers to two different statements. First, respondents are asked to agree or disagree with the following statement: "I don't think public officials care much what people like me think." The second statement respondents are asked to agree or disagree with is: "People like me don't have any say in what the government does." Respondents who agreed with both statements are considered to have low external political efficacy and are assigned a value of 0. Those who disagreed with both statements are considered to have high external political efficacy and are assigned a value of 100. Those who agreed with one of the two statements are considered to have moderate external political efficacy and are assigned a value of 50. To facilitate analysis, I recoded the index so that respondents with a score of 50 were coded as 1, and respondents with a score of 100 were coded as 2. The resulting variable is a categorical index ranging from 0 to 2.⁹

FIGURE 1
 Mean Levels of External Political Efficacy and Income Inequality for Selected States



Income inequality

I measure state-level income inequality by utilizing a post-transfer Gini coefficient for households in each state for each year. This coefficient was calculated by Kelly and Witko (2012) for each state from 1976 to 2006, and is based on income data gathered from the US Census Bureau and the Annual Social and Economic Supplement. The Gini coefficient measures the deviation of the actual distribution of income from a hypothetically equal distribution of income. A Gini coefficient of zero means that income is distributed equally across all households in a state, while a Gini coefficient of one means that income is distributed to only a single household in the state's population. While there is ample variation in the value of the Gini coefficients across states, the Gini coefficients for all states increased in value over the time period under consideration.

Individual-level variables

I control for several individual-level variables in this analysis. Ordinal scales measuring respondents' income levels and educational attainment are included in the models presented here. The seven-point party identification variable is included. Measures of age and interest in politics are also included in the models. Dummy variables are used to control for respondents' race and gender. A dummy variable is also included to identify respondents who were employed when they were surveyed. All information for these variables was gathered from the National Election Study Cumulative Data File.

State and national variables

Contextual variables must be included in cross-sectional analyses to insure accurate inferences based on individual behaviour (Achen and Shively, 2003). Therefore, several state and national variables are included in this analysis to account for political and economic context. First, I include a dummy variable for respondents residing in southern states to account for regional differences in external political efficacy. At the national level, a dummy variable is included to account for whether the respondent was surveyed during a presidential election year. I also include a variable measuring the distance between the median member of the majority party in the Senate and the filibuster pivot in the Senate to account for the effects of polarization on external political efficacy.¹⁰

Two state-level contextual variables are included in this analysis. First, a union density variable for each state in each year is added to the model, and is calculated as the proportion of the nonagricultural workforce represented by a union in each state.¹¹ A variable measuring the one-year change in

TABLE 1
Descriptive Statistics

Dependent Variable	Mean	St. Dev.	Min	Max	Expected Sign
External Political Efficacy Index	.968	.854	0	2	–
Individual-Level Variables					
Income	1.92	1.14	0	4	+
Education	3.04	1.72	0	5	+
Age	45.5	17.15	17	95	–
Party Identification	2.7	.206	0	6	+
Gender	.552	.497	0	1	+
Race	.203	.403	0	1	–
Interest in Politics	1.82	.979	0	3	+
Currently Employed	.623	.485	0	1	+
State/National Variables					
State-Level Gini Coefficient	.412	.03	.348	.509	–
Yearly Change in Gross State Product	.083	.04	–.053	.284	+
Union Density	.18	.082	0	.387	+
Southern State	.31	.462	0	1	–
Filibuster Pivot	.005	.073	–.096	.158	–

Sources: NES Cumulative Data File, Bureau of Economic Analysis, and Author's Data.

gross state product at the time of the respondent's interview is included in the analysis. These data were gathered from the US Department of Commerce, Bureau of Economic Analysis. The descriptive statistics for all of the variables used in this analysis are presented in Table 1, along with predictions as to the expected direction of influence each variable may have on external political efficacy.

Model Specification

The data used here are multilevel in nature. Most of the independent variables used measure individual characteristics. However, individual respondents are nested within different states, and the states are in turn nested within different years. This means that the observations are not truly independent from one another. Since these clustered observations violate the assumption of independent error terms, the models presented in this analysis are multilevel models. Multilevel models ensure that the standard errors for contextual variables (variables that vary at the state and national level) are not underestimated by calculating different error terms for each state and each year. These separate error terms also capture contextual effects that are outside the model and help protect against omitted variable bias (Steenbergen and Jones, 2002). This type of analysis allows for better approximation of individual and contextual variables by allowing the slopes

and intercepts of the individual variables to vary by state and also by year. States also have their own slopes and intercepts. Multilevel modeling therefore improves the chances that inferences drawn from nested data (in this case, state data) are more accurate (Tolbert et al., 2009). Multilevel ordinal logit regression with mixed effects is used to estimate all models due to the categorical nature of the external political efficacy index. Given a three-level data structure such as this one (respondents nested in different states, and states nested within different years) a categorical variable $c = 1, \dots, C$ ordered categories of the dependent variable, the latent response strength of respondent j in cluster i at time k $\{y_{ijk}\}$ can be modeled as the following:

$$y_{ijk} = x'_{ijk}\beta + u_{ij} + v_i + \varepsilon_{ijk}$$

where x_{ijk} is the covariate vector, β are the unknown parameters of the variables in the model, v_i is the unknown random effect at the yearly level, v_{ij} is the unknown effect at the state level, and ε_{ijk} is the error term. Given the above equation, we can determine the probability of a respondent falling into one of the three categories of the external political efficacy index, conditional on the random effects v_{ij} and v_i via the following equation:

$$\Pr(Y_{ijk} = c | v_{ij}, v_i) = \Psi[\{y_c - z_{ijk}\}] - [\{y_{c-1} - z_{ijk}\}]$$

where $z_{ijk} = x'_{ijk}\beta + v_{ij} + v_i$ and $\Psi\{\cdot\}$ represents the cumulative density function (Raman and Hedeker, 2005). Analyses were performed using the *meologit* function in Stata 13.

Results¹²

The results of various multilevel ordinal logistic regressions measuring the effect of income inequality on external political efficacy are presented in Table 2. Model 1 displays the results of the full model, while Model 4 displays results without including the variable measuring the distance of the filibuster pivot from the median senator. Model 7 displays the results of an analysis excluding the variable measuring residency in the South. This model attempts to account for collinearity between the southern dummy variable and the variable measuring state-level union density. Across all models, the chi square statistic is large and significant, allowing us to reject the hypothesis that all of the variables in the model are equal to zero.

Consistent with previous models of efficacy, more educated and wealthier citizens are more externally efficacious. So are those respondents who have a greater interest in politics. Respondents are more likely to have higher levels of external political efficacy if they identify with the Democratic party. Women are more externally efficacious than men, and

TABLE 2
The Effects of Income Inequality on External Political Efficacy

Independent Variables	Model 1		Model 2		Model 3		Model 4		Model 5		Model 6		Model 7	
	Estimate	(Std. Error)	Estimate	(Std. Error)	Estimate	(Std. Error)	Estimate	(Std. Error)	Estimate	(Std. Error)	Estimate	(Std. Error)	Estimate	(Std. Error)
Income Inequality	-2.38c	(.904)	-2.03a	(1.08)	-3.64a	(1.69)	-1.23a	(.303)	-3.78a	(.856)	-7.22a	(1.34)	-4.11a	(.704)
<i>Individual-Level Variables</i>														
Income	.137a	(.016)	.144a	(.020)	.128a	(.024)	.135a	(.015)	.145a	(.020)	.127a	(.024)	.138a	(.016)
Education	.235a	(.011)	.231a	(.014)	.244a	(.017)	.237a	(.010)	.228a	(.014)	.239a	(.017)	.232a	(.011)
Age	-.003a	(.001)	-.002	(.001)	-.006a	(.002)	-.003a	(.001)	-.002	(.001)	-.006a	(.002)	-.004a	(.001)
Party Identification	.022a	(.008)	.035a	(.010)	-.001	(.012)	.021a	(.008)	.035a	(.010)	-.002	(.013)	.022a	(.008)
Gender	.172a	(.032)	.171a	(.041)	.176a	(.052)	.177a	(.032)	.175a	(.041)	.175a	(.052)	.175a	(.032)
Race	-.073c	(.041)	-.052	(.052)	-.110c	(.067)	-.067c	(.040)	-.055	(.052)	-.117c	(.067)	-.069c	(.041)
Currently Employed	.069c	(.037)	.058	(.047)	.085	(.058)	.067c	(.036)	.057	(.047)	.086	(.058)	.066c	(.036)
Interest in Politics	.279a	(.017)	.284a	(.022)	.277c	(.027)	.284a	(.167)	.286a	(.022)	.279a	(.027)	.285a	(.017)
<i>State/National Variables</i>														
Δ Gross State Product	1.03c	(.561)	-.013	(.757)	-.874	(.811)	-.089	(.522)	.704	(.712)	-.407	(.764)	.201	(.518)
Union Density	-.038	(.395)	-.235	(.488)	-.072	(.623)	.078	(.349)	.481	(.409)	.987c	(.554)	.133	(.261)
Southern State	-.039	(.065)	-.079	(.080)	.042	(.104)	-.033	(.056)	.022	(.071)	.216b	(.093)		
Filibuster Pivot	-1.40a	(.440)	-1.53a	(.590)	-5.41a	(.722)								
Presidential Election Year	.251a	(.041)					.598a	(.042)					.406a	(.040)
<i>Variance Components</i>														
State-Level	.253	(.029)	.341	(.054)	.497	(.084)	.084	(.009)	.324	(.052)	.514	(.083)	.217	(.024)
State/Year Level	.045	(.011)	.039	(.013)	.045	(.017)	(.040)	(.010)	.041	(.013)	.036	(.017)	(.043)	(.010)
χ^2	1,669.1a		999.42a		753.23a		1,822.94a		991.64a		654.32a		1,709.41a	

Log-Likelihood	-16419.96	-10122.31	-6281.72	-16419.96	-10125.64	-6282.79	-16418.52
Individual	16,274	9,951	6,323	16,274	9,951	6,323	16,274
Observations							
Years	13	8	5	13	8	5	13
State/Years	452	284	168	452	284	168	452

a. $p \leq .10$; b. $p \leq .05$; c. $p \leq .01$.

Source: American National Election Study, Cumulative Data File; U.S Bureau of Labor Statistics; Author's Data Coefficients are ordinal logistic regression coefficients, calculated using *meologit* in Stata 13.

minorities are less likely, but not necessarily significantly less likely, to be more externally efficacious than Caucasians. Age is also negatively related to external political efficacy, but its effect is small, and it is not significant across all of the models. Being employed also increases the probability one will have higher levels of external political efficacy, but its significance is not consistent across all models.

There is a great degree of variation in the effect state and national variables have in each of the models. Few of the state and national variables are significant across the range of models in [Table 2](#). The most significant predictors of external political efficacy in the full model are change in gross state product, polarization and whether the respondent's external political efficacy was measured during a presidential election year. Given the significant differences in respondents' external political efficacy between presidential and midterm election years ($t = -10.17, p \leq .01$), Models 2 and 5 model the effect of income inequality on external political efficacy in presidential years only. Models 3 and 6 measure the effect of income inequality on external political efficacy during midterm election years only. Income inequality remains a large, significant and negative predictor of external political efficacy in these models as well. An especially interesting finding in these models is that income inequality proves to be the largest predictor of external political efficacy in most of the models presented here. Only in Model 3—during midterm election years—do we find that polarization is a greater predictor of external political efficacy.

Since logit coefficients are not readily interpretable, I used the full model presented in Model 1 to compute predicted probabilities of a typical respondent having high or low levels of external political efficacy over the range of observable values of state-level income inequality. The probabilities for Model 1 are presented in [Figure 2](#).¹³

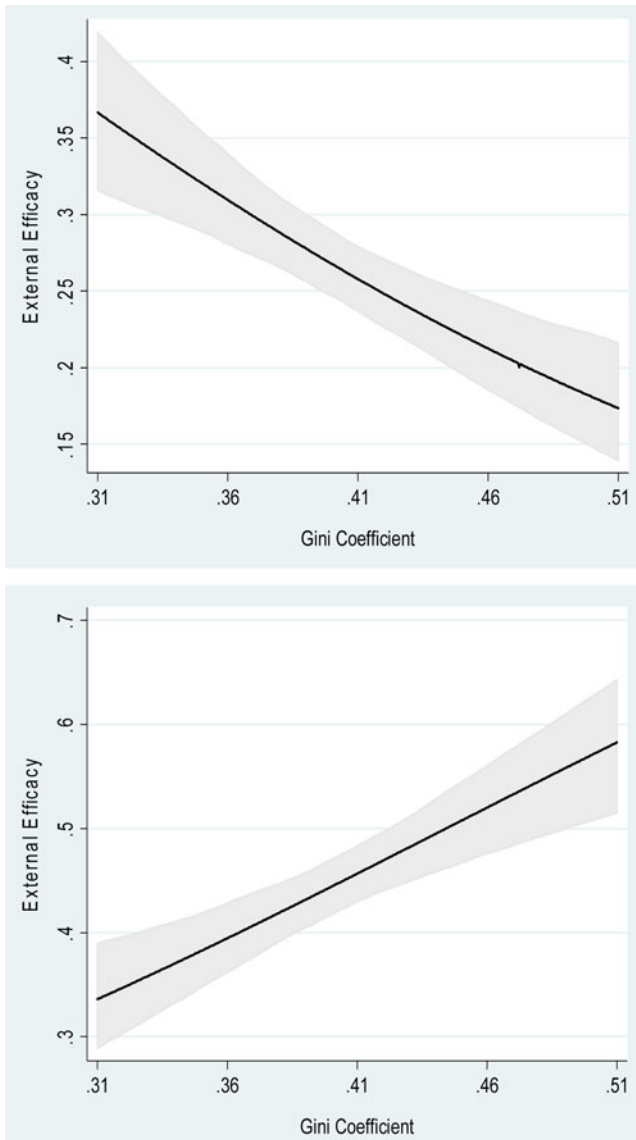
As [Figure 2](#) demonstrates, external political efficacy levels fall precipitously as state-level income inequality increases. The probability of a respondent having the highest levels of external political efficacy in a state with the lowest levels of income inequality is .34 [.31, .41] and the probability of a respondent having low levels of external political efficacy is .36 [.29, .39]. The probability of a respondent having high levels of external political efficacy falls to .17 [.14, .22] as state-level income inequality rises to its maximum value, a decline of .17. Conversely, the probability of a respondent having low external political efficacy in states with the highest income inequality rises to .58 [.52, .64], a .22 increase.

The online appendix presents several robustness checks to the models presented here. Specifically, I examine whether other factors like having a Republican or Democratic governor or president effects external political efficacy, or whether declining external political efficacy is a result of a respondent's political party not being in control of government when the respondent was polled. While there is evidence that having a Republican

FIGURE 2

Effect of Income Inequality on External Political Efficacy (Full Model)

a.) High External Political Efficacy b.) Low External Political Efficacy



president in power increases external political efficacy, and that respondents are more externally efficacious when their party is in power, these robustness checks do not change the effect of income inequality on external political efficacy. Income inequality remains a large and robust predictor across all specifications. Furthermore, comparisons made with two standard predictors of external political efficacy, income and education, show that income inequality rivals these two factors in magnitude of effect on external political efficacy.

Discussion and Conclusion

The purpose of this paper is to explore the possible relationship between income inequality and external political efficacy. Although it is well documented that external political efficacy has greatly declined in the American electorate, scholars have had difficulty in identifying the causes of this decline. While there are certainly multiple factors working together to decrease levels of external political efficacy in the American electorate, it is likely that economic factors have an important role to play in external political efficacy's decline.

In this paper I hypothesize that increasing income inequality is an important factor in the decline of external political efficacy. The analyses performed in this paper bear out this conclusion: greater inequality does lead to decreased levels of external political efficacy. Increasing income inequality drives down external political efficacy regardless of model specification. These results are consistent across models, with only increased political polarization rivaling income inequality as the best predictor of declining external political efficacy in the American electorate.

The results of this paper align nicely with previous research that shows increasing income inequality leads to less political participation and decreases the likelihood that those in the middle and lower income brackets will vote (Schattschneider, 1960; Solt, 2010). Admittedly, the results of this paper are exploratory. It could be quite possible, though not examined here, that the reason people residing in states where external political efficacy is low and income inequality is high perceive that the political interests being served in their state are the interests of those at the top of the income distribution. It could also be possible that decreasing external political efficacy leads those at the bottom of the income distribution to forego going to the polls. Although neither of these propositions is tested here, both warrant future research to determine if these connections are accurate. There is a wealth of research that explores how local perceptions of prosperity determine how citizens view politics, and ultimately determine whether a citizen will or will not vote (Killian et al., 2008). By combining this research we can develop a greater understanding of how income inequality—and economic inequality more generally—affects how citizens vote, or if they even vote at all.

The results of this paper also have implications for future research on the self-reinforcing link between income inequality and public opinion. Evidence suggests that the effects of income inequality on public opinion are indeed self-reinforcing (Kelly and Enns, 2010; Solt, 2010); however, there is conflict between these two conclusions. Solt believes the effect of income inequality on participation is self-reinforcing because as electorates become smaller and wealthier, government will reward these electorates with fewer redistributive policies. Kelly and Enns, however, find that at the macro level individuals from *all* income brackets favour more conservative distributive policies as income inequality increases. A deeper understanding of income inequality's effect on external political efficacy may help to reconcile these results. It is possible that the reason those in the lower and middle classes favour more conservative policies as income inequality increases is because they see redistributive policies as being highly ineffective. However, the reason these policies are ineffective is because smaller, wealthier electorates are getting exactly what they voted for: weaker redistributive policies. In essence, individuals from different classes may be taking different roads to the same destination. Having lost their sense of external political efficacy, lower and middle class voters may be shunning what they believe to be unresponsive government solutions for more market-based solutions to their economic problems. However, it could also be that the market-based solutions they are turning to do not assist them either because the boundaries of these solutions are dictated by the smaller, wealthier electorates who vote for economic policies that protect their economic interests or, at least, prevent policy from changing the status quo (Enns et al., 2014; Hacker and Pierson, 2010). Another fruitful avenue for future research is to examine whether declining external political efficacy leads individuals to prefer more conservative, market-based policy outcomes from government.

Supplementary materials

To view Supplementary material for this article, please visit <http://dx.doi.org/10.1017/S0008423915001080>

Notes

- 1 The initial starting point for this debate begins with conclusions in the American Political Science Association's Taskforce on Inequality and American Democracy (2006). The taskforce concluded that increasing inequality has led to a decline in trust in government and an increased concern about government responsiveness. Bennett (2006) concludes the taskforce's conclusions are tenuous, at best. However, Bennett is clear that the weak relationship is only present in the 2000 and 2004 National Election Studies. This analysis uses a more extensive time frame.

- 2 Currently, respondents to the two questions discussed above are able to answer each statement with “agree,” “disagree,” or “neither.” “Agree” responses are coded as 100, “disagree” responses are coded as 0 and “neither” responses are coded as 50. The answers are then indexed and aggregated into an external political efficacy index ranging from 0 to 100. This variable can be used to measure external political efficacy in the entire electorate. An individual external political efficacy index ranging from 0 to 100 exists as well. However, measurement of this variable was changed in 1988 to allow for more variation. Scholars interested in analyzing external political efficacy before and after 1988 commonly collapse the new and old measure into an ordered categorical index. This is the method for measuring external political efficacy used in this paper.
- 3 See Kelly and Enns (2010, fn 10) for a more specific discussion of the underlying pre-suppositions of Benabou’s theory that is tested in their paper.
- 4 There is a growing debate around this issue in the literature on political representation and campaign finance reform. Current research recognizes that the increasing ability of wealthier citizens to contribute more resources to political campaigns raises concerns over political equality (see Grant and Randolph, 2003). Political decisions like the Supreme Court’s decision in *Citizen’s United v. Federal Election Commission* (2010) and the great influx of campaign contributions in the 2012 presidential election have only heightened the need to understand the effects of unequal campaign contributions on political representation and—more specifically related to this study—the ability to shape political agendas.
- 5 An interesting point raised by a reviewer is that the calculus of turnout and voting under the conditions posited by Schattschneider, Solt and in this paper hinge on voters, and especially lower-class voters, voting based on issue positions. However, it is well known that lower-class voters do not regularly vote on issue positions because they are generally unknowledgeable about political issues. Although this is true, there is existing literature that shows that lower-income voters decide not to vote based not on issue positions but rather on the perception that their vote will do nothing to benefit them individually nor benefit the groups to which they belong. Griffin and Newman find some evidence of this effect by showing that, when seeking re-election, incumbent Members of Congress forego pursuing votes from groups with low voting power. They also recognize the possible effect this could have on external political efficacy. In a supplementary analysis, they use the same components of their model on voting power and policy representation to show that nonvoters are significantly less externally efficacious than voters. They readily admit that their analysis is preliminary (2012, fn 18); however, it lends support to the belief that while low and middle income voters may not be knowledgeable about policy issues, they can at least perceive whether government makes decisions that benefit them as a group.
- 6 Support for this claim can be derived from Gilens and Page (2014) who find evidence that government is only responsive to the demands of business-oriented interest groups and economic elites. While this study does not support the contention that these groups are able to remove policies off the political agenda, it does lend support to the contention that middle and lower class voters perceive that government is unresponsive to their interests. It is possible that this perception leads these voters to believe policies beneficial to their economic well-being are not on the political agenda. Indeed, Gilens alludes to the possible negative effect biased policy responsiveness may have on external political efficacy when he stated: “Most middle-income Americans think that public officials do not care much about the preferences of ‘people like me.’ Sadly, the results presented above suggest they might be right” (Gilens, 2005: 794).
- 7 Future research may want to incorporate income inequality and external political efficacy together in a way to determine actual voter turnout or vote choice. These factors could be important in estimating simultaneous equation models of voter turnout and

- choice, or models of voter turnout and choice over time. These models, however, are beyond the scope of this paper. Here, I am merely attempting to explain how income inequality and external political efficacy may be related.
- 8 Data were not gathered for the statement “People like me don’t have any say about what the government does” (one component of the external political efficacy index) in 1986. Data on respondents’ income quintiles were not gathered in 2002.
 - 9 Prior to 1988 respondents were only able to answer “agree” or “disagree” to the external political efficacy questions in the National Election Study. After 1988 respondents were able to answer “neither agree nor disagree.” Answering in this way enabled respondents after 1988 to score 0, 25, 50, 75, and 100 on the external political efficacy index. For standardization purposes, respondents scoring 25 after 1988 were coded as 0. Respondents scoring 75 after 1988 were coded as 1. See Chamberlain (2013) for an example of the external political efficacy index coded and used in this way.
 - 10 Other measures of political polarization were included in previous models but were not used because of high collinearity between polarization and income inequality. This is not an uncommon problem in research on income inequality that accounts for polarization (see Enns et al., 2014; McCarty et al., 2006). Using the distance between the majority party median and the filibuster pivot in the Senate is an acceptable measure of polarization and also has the benefit of acting as a measure of gridlock in the political system (see Enns et al., 2014, and Primo et al., 2008, for discussions of this topic).
 - 11 Correlation between union density and Southern residence proved to be quite high ($r = -.69, p \leq .01$), and does affect some of the results of the models presented herein. Model 7 in Table 2 displays results that exclude the Southern residence variable.
 - 12 Additional analyses and robustness checks are available in the online appendix.
 - 13 Predicted probabilities were generated using Clarify (King et al., 2000). All variables were held at their means (or modes) to estimate the likelihood of having either high or low external political efficacy.

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