How does political party control of the federal government determine changes to social policy and by extension influence inequality in America? Conventional theories show that the Democratic Party when in power produces more social expenditures and consequently less inequality. Welfare for the Wealthy reexamines the relationship between parties and social policy by recognizing the social system as divided and government spending as a choice between public spending and private subsidies. Christopher Faricy argues that both Democrats and Republicans have electoral and policy incentives to increase social spending albeit delivered through different policy mechanisms and targeted towards divergent socioeconomic classes. Faricy using a unique data set of federal tax expenditures shows that Republicans increase social spending through the tax code, which benefits businesses and wealthier workers. In particular, he demonstrates that increases in the level of social tax expenditures are paid for with cuts in discretionary public social spending, which taken together contribute to higher levels of inequality. This analysis has implications for who provides social services, who receives government assistance for social benefits, and income inequality in the United States.

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Welfare for the Wealthy

Parties, Social Spending, and Inequality in the US

CHRISTOPHER G. FARICY

Syracuse University
To my parents

Thank you for everything
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