

# Polarized America: An Update

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# The Three Fundamental Changes in the U.S. Political Economy

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- Increased economic inequality

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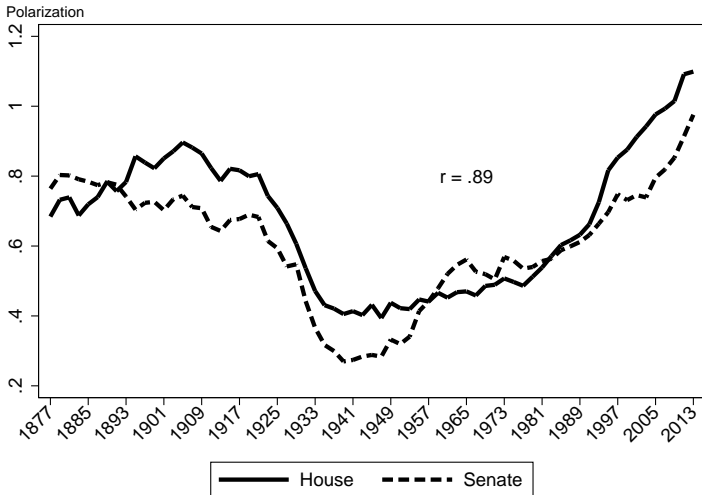
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- Increased economic inequality
- Increased immigration

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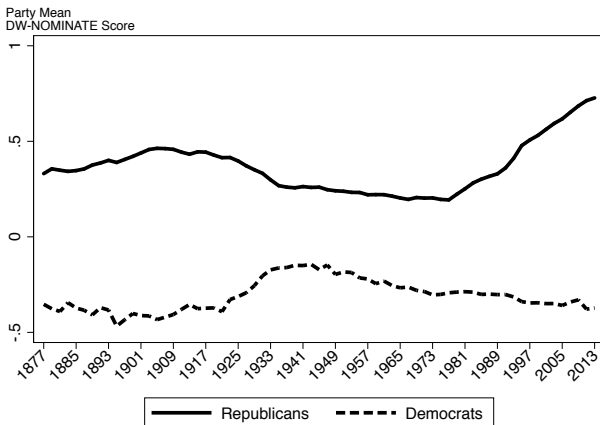
- Increased polarization of the political parties
- Increased economic inequality
- Increased immigration

Indicators of these changes track for more than a century.

# Polarization over 140 Years



# Party Positions



*Party Positions in the U.S. House 1877-2014*

# Polarization and the Gini Index

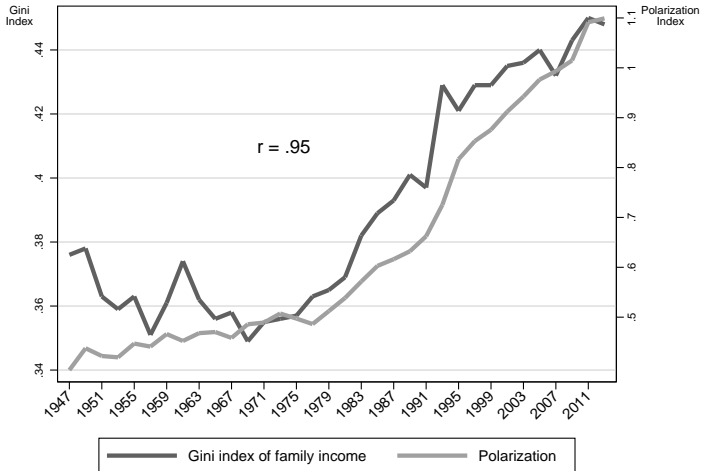


Figure 1.1: Income Inequality and House Polarization

# Polarization and the Top 1%

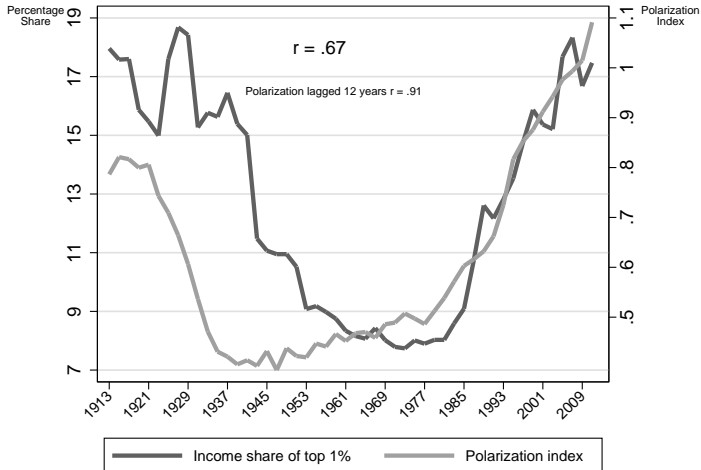


Figure 1.2: Top One Percent Income Share and House Polarization

# Polarization and the Top .1%

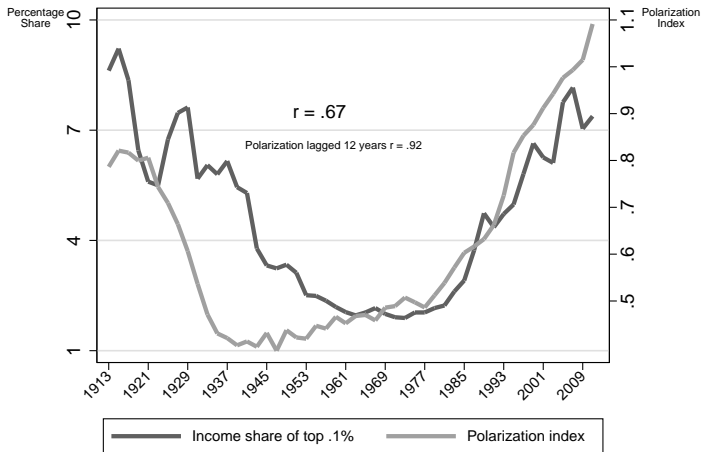


Figure 1.3: Top 0.1% Income Share and House Polarization

Note: World Top Income Database (2012). Used by permission.

# Polarization and the Top .01%

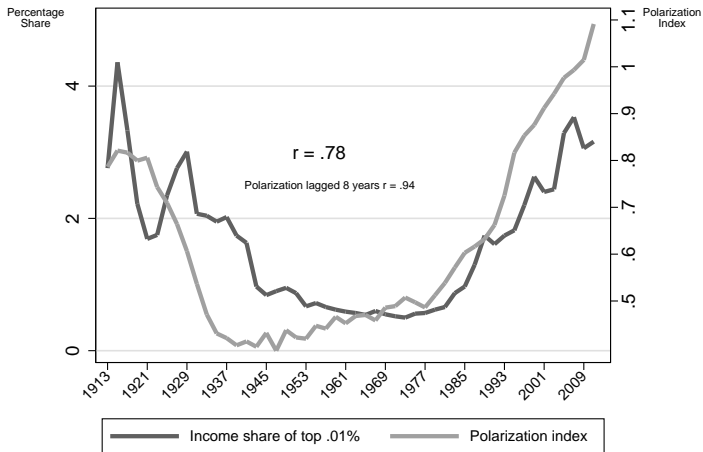


Figure 1.4: Top 0.1% Income Share and House Polarization

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# Polarization and Immigration

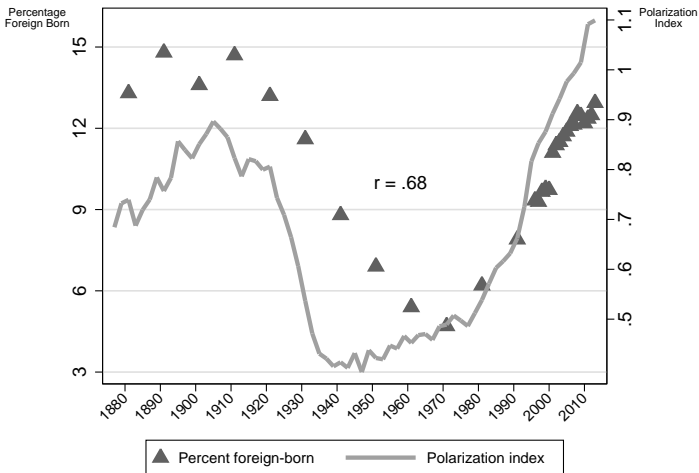


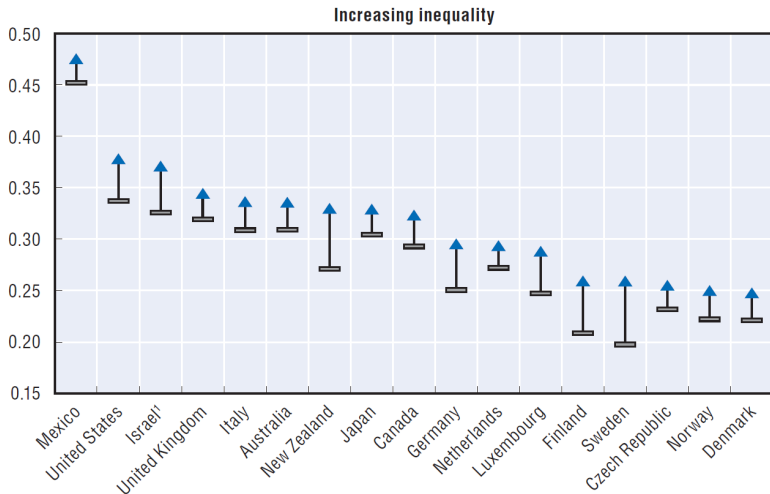
Figure 1.3: Percent Foreign Born and House Polarization

- Democracy is generally considered to be a correction device for inequality.

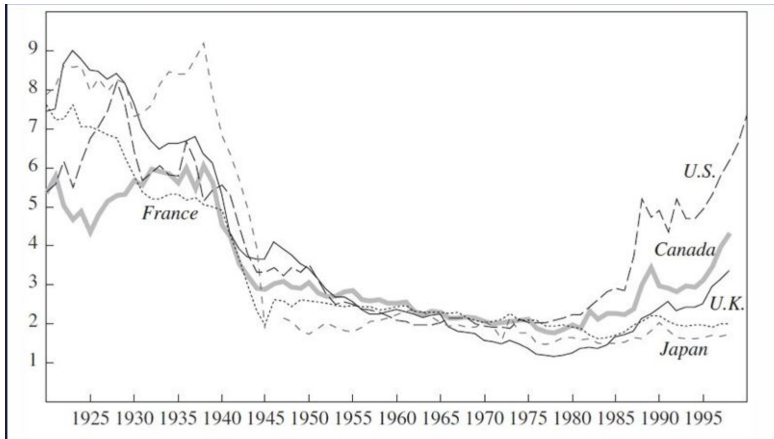
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- Other advanced democracies experiencing many of the same economic shocks have much smaller increases in inequality.
- Why was the U.S. different?

# International Comparisons



# International Comparisons



Our argument is not that any single causal relationship causes the conjunction of polarization, inequality, and immigration.

There are several reinforcing relationships which account for these trends.

- Immigration  $\Rightarrow$  Inequality
  - Creates competition in low wage labor market
  - Promotes economic growth

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  - Creates competition in low wage labor market
  - Promotes economic growth
- Immigration  $\Rightarrow$  Large fraction of low income households w/o voting rights
  - Republican party can move to right and still win
  - Absence of public policies to reduce inequality and manage immigration.

- Inequality  $\Rightarrow$  Political conflict over redistribution
- Inequality with rising mean real income  $\Rightarrow$  move to right by Republicans, smaller move to left by Democrats
- Inequality with rising mean real incomes  $\Rightarrow$  demand for low-skilled service labor  $\Rightarrow$  immigration

- Polarization  $\Rightarrow$  policy gridlock
- Gridlock  $\Rightarrow$  deterioration in social benefits and non-responsiveness to economic shocks  $\Rightarrow$  Inequality
- Gridlock  $\Rightarrow$  lack of immigration reform

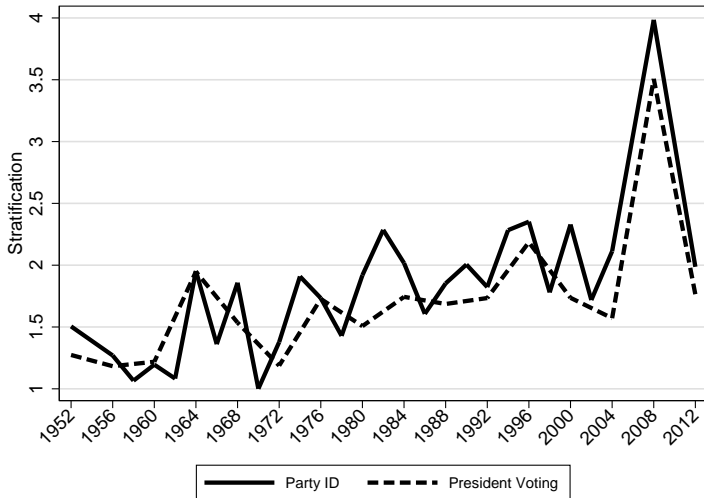
# Explanations of Congressional Polarization

- The Southern Realignment
- Increased Party Discipline in the Legislature
- Redistricting
- Primary elections
- Income inequality

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- The Southern Realignment
- Increased Party Discipline in the Legislature
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- Primary elections
- Income inequality
  - Voters more sorted on income (until very recently)
  - District income better predictor of congressional voting
  - More variation of incomes across districts

# Income and Voting



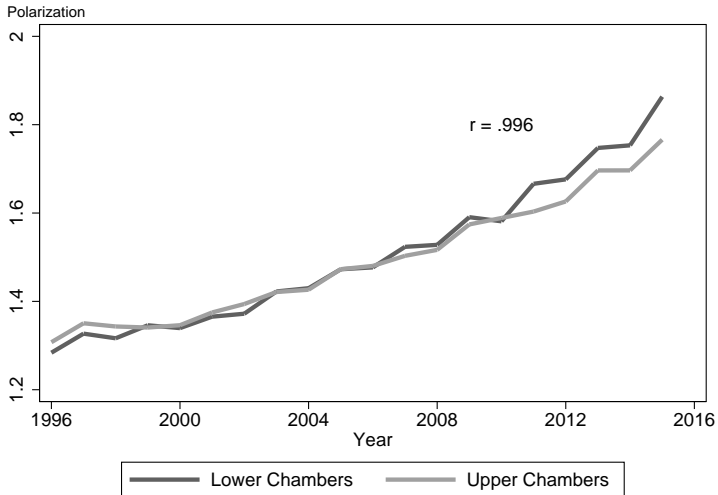
# Is the Relationship Causal?

- Hard to establish causal relationships between a single pair of trends
- Reciprocal causation (The “Dance”)
  - The policy channel
  - Polarization clearly leads the Piketty-Saez series
- Omitted variables
  - A lot of stuff happens in the 20th Century (much of it around inflections points)
    - Rise and fall of mass immigration
    - Wars
    - Great Depression, Stagflation, and the Global Financial Crisis
    - Civil Rights movement and Southern Realignment

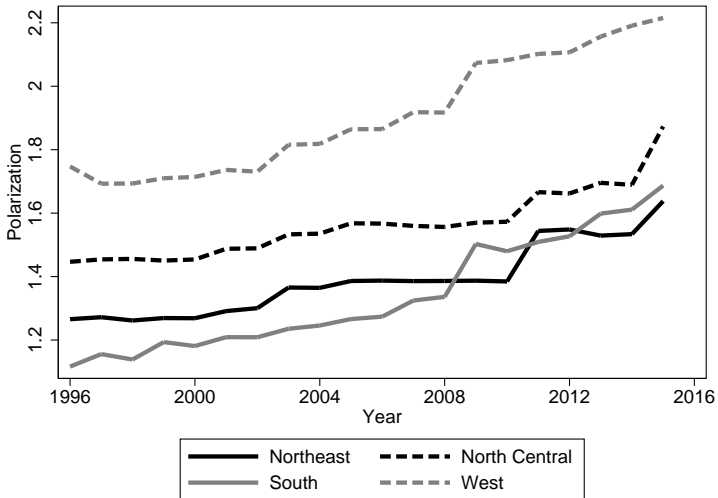
# Using the American States

- US states vary widely with respect to levels and trends in polarization
- US states vary widely in levels and trends in income inequality
- Measurement
  - Until recently quality state-level data on polarization and inequality was unavailable
  - State income inequality measures are often plagued by measurement error

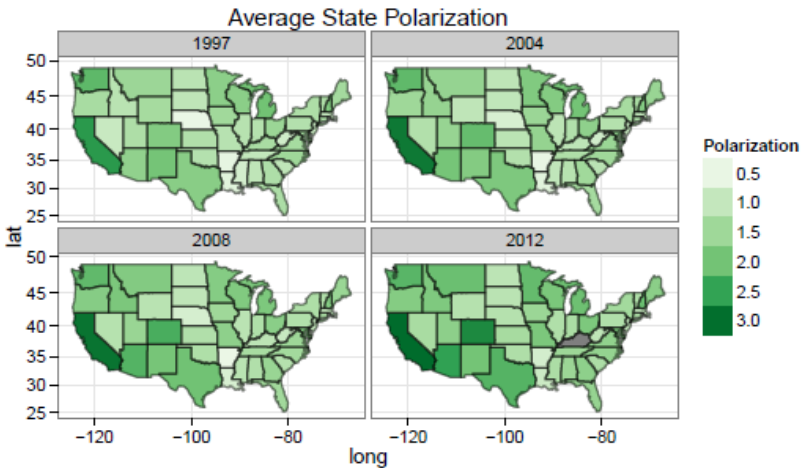
# Polarization in the States



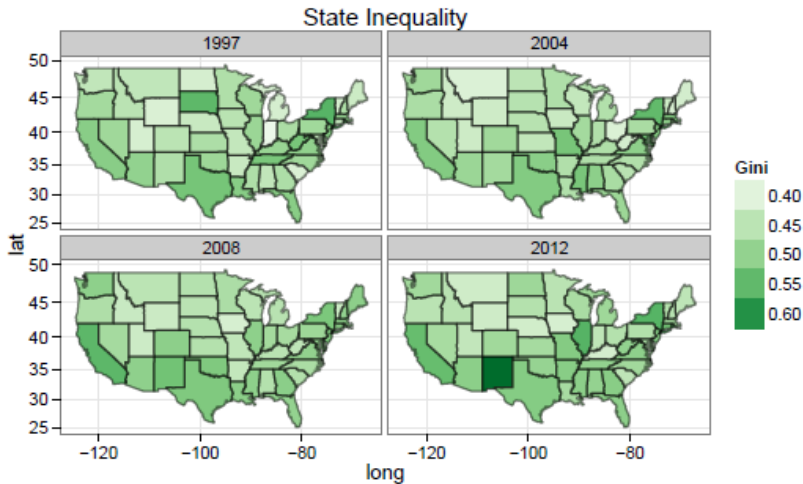
# Polarization by Region



# Polarization in the States

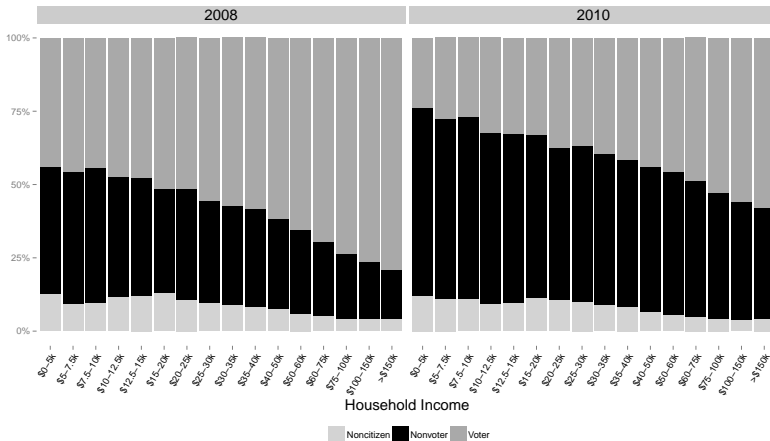


# Inequality in the States

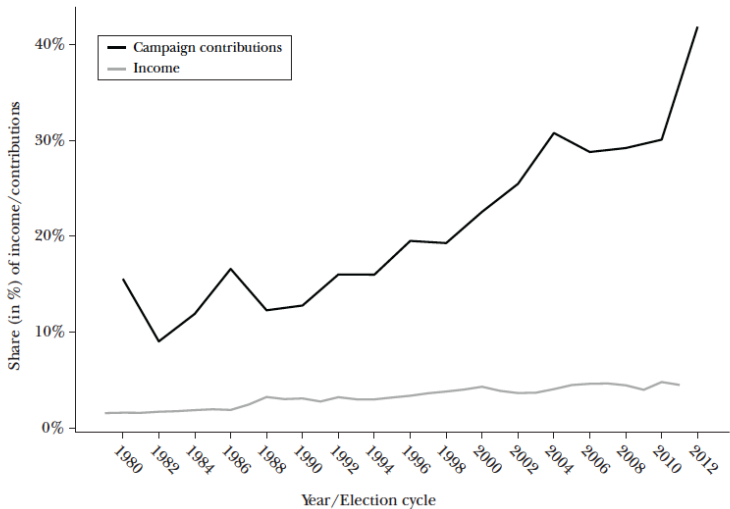


- Inequality increases polarization by making Democratic parties more leftwing
- Works through moderate Democrats being replaced by Republicans
- Also moves Republicans to the right
- Effect is:
  - larger after 2008
  - larger in states currently controlled by Republicans
- Overall inequality moves state legislatures to the right

# Unequal Participation



# Concentration of Campaign Contributions



- Ideological heterodoxy
  - Ethno-nationalism
  - Immigration restrictionist
  - Anti-globalist

# Donald Trump and 2016

- Ideological heterodoxy
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- Has received support from traditional conservatives on issues of overlapping interest
  - Judicial appointments
  - Tax cuts
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- The response of the Left