Polarized America: The Dance of Ideology and Unequal Riches

Chapter 1

The Choreography of American Politics

Nolan McCarty, Princeton University

Keith Poole, University of California, San Diego

Howard Rosenthal, New York University and Russell Sage Foundation

We dance round in a ring and suppose,
But the Secret sits in the middle and knows.

-- Robert Frost

At 20th mid-century, the Democrats and Republicans danced almost cheek-to-cheek in their courtship of the political middle. However, over the past thirty years, the parties have deserted the center floor in favor of the wings. In the parlance of punditry and campaign rhetoric circa 2004, American politics have “polarized”. Scarcely a day went by without headlines such as the *San Francisco Chronicle*’s “Where did the middle go? How polarized politics and a radical GOP have put a chill on measured debate.”[1] Story after story attempted to explain the seemingly unbridgeable divide between Red and Blue states. Was it moral issues, security voters, or NASCAR dads? Even the First Lady offered her diagnoses as the Associated Press reported, “First lady Laura Bush thinks the news media is increasingly filled with opinions instead of facts, and suggested Tuesday that journalists are contributing to the polarization of the country.”[2]

What public commentators missed, however, was that polarization was not a solo number, but part of a tight ensemble. Polarization’s partners were other fundamental changes in the American society and economy. Most importantly, just as American politics became increasingly divisive, economic fortunes diverged as well. Middle and higher-income Americans have continued to benefit from the massive economic growth experienced since the Second World War. However, material well-being for lower income classes has stagnated. Thus, for all of the success stories about successful Bill Gates’s and Sam Waltons, there are stories about low-wage, no benefit workers.

That Wal-Mart is the center of both the good news and the bad underscores how unequally American's economic growth has been allocated. To put some hard numbers on these disparities, in 1967, the household in the 95th percentile of the income distribution had 6.0 times the income of someone in the 25th percentile. By 2003, the disparity had increased to 8.6.[3]

It is important to note that the rise in inequality has taken place in a period of increasing prosperity with the added riches going much more to the haves than to the have nots. Households with an annual income of over $100,000 2000 dollars increased from under 3% in 1967 to over 12% in 2000. Even the middle of the income distribution was more prosperous. In 2000$, median income increased from $31,400 in 1967 to $42,200 in 2000. Inequality probably had a real (as against perceived) bite on consumption only at the very bottom of the income distribution. This increasing, albeit unequal, riches is likely, as we explain in chapters 2 and 3, to have contributed to polarization.

Economists, sociologists, and others have identified a number of factors behind the shift to greater inequality including increased returns to education, declining coverage of labor unions, increased exposure to trade, and changes in family structure induced by rising rates of divorce, late marriage, and two-income households, and increased high levels of executive compensation and stock options. An additional cause which helps to tie our ensemble together is the massive wave of immigration, legal and illegal, since the 1960s. These new immigrants are predominantly unskilled. They have contributed greatly to economic growth by providing low wage labor especially in jobs that American citizens no longer find desirable. They also provide the domestic services that facilitate labor market participation by highly skilled individuals. However, immigrants have also increased inequality both directly by occupying the lowest rungs of the economic ladder and indirectly through competition with citizens for low-wage jobs. Yet as non-citizens, they lack the civic opportunities to secure the protections of the welfare state. Since these poor cannot vote, there is less political support for policies that would lower inequality by redistribution.

In this book, we trace out how these major economic and social changes are related to the increased polarization of the U.S. party system. We characterize the relationships as a “dance”, that is relationships with give and take and back and forth where causality can run both ways. On the one hand, economic inequality might feed directly into political polarization. People at the top might devote time and resources to supporting a political party that is strongly opposed to redistribution. People at the bottom would have an opposite response. Polarized parties, on the other, might generate policies that increase inequality through at least two channels. If the Republicans move sharply to the right, they can use their majority, as has been argued for the tax bills of the first administrations of Ronald Reagan and George W. Bush, to reduce redistribution. If they are not in a majority, they can use the power of the minority in American politics to block changes to a status quo. In other words, polarization in the context of American political institutions now means that the political process cannot be used to redress inequality that might arise from non-political changes in technology, lifestyle, and compensation practices.

Measuring Political Polarization

Before laying the groundwork for our argument that political polarization is related to economic inequality, we need to discuss how we conceptualize and measure political polarization. What do we mean by “polarization”? Polarization is, for short, a separation of politics into liberal and conservative camps. We all recognize that members of Congress can be thought of as being somewhere on a liberal-conservative spectrum. Ted Kennedy is a liberal, Diane Feinstein is a more moderate Democrat, John Breaux even more so, Olympia Snowe a moderate Republican, and Rick Santorum is a conservative Republican. The perception of liberal-conservativeness is commonly shared. There is a common perception because there is a predictability of behavior. If we know that Olympia Snowe will fight a large tax cut, we can be fairly certain that all or almost all the Democrats will support her position.

There are two, complementary facets to the polarization story. First, at the individual level, we have vanishing moderates. Second, the two parties have pulled apart. Conservative and liberal have become almost perfect synonyms for Republican and Democrat.

Since we are social scientists and not journalists or politicians, we need to nail these shared impressions by precise operational definitions. When two (the two not a high school sophomore at the time) of us published “The Polarization of American Politics” in 1984, we measured polarization with interest group ratings. Each year, a number of interest groups publish ratings of members of Congress. The groups include the United Auto Workers (UAW), the Americans for Democratic Action (ADA), the National Taxpayers Union (NTU), the American Conservative Union (ACU), the League of Conservation Voters (LCV) and many others. Each interest group selects a fairly small number, typically 20 to 40, roll call votes from the hundreds taken year. A senator or representative who always votes to support the interest group's position is rewarded with a score of 100. Those always on the "wrong" side get a score of 0. Those who support the group half the time get a score of 50, and so on.

To illustrate how moderates had vanished by 2003, consider the ratings of the Americans for Democratic Action for that year. The possible ADA ratings rose in 5 point steps from 0 to 100. Of the 21 possible ratings, 9 were in the range of 30 through 70. Yet only 11 of the 100 senators (McCain, AZ; Campbell, CO; Lieberman, CT; Breaux, LA; Landrieu, LA; Collins, Me; Snowe, ME; Nelson, NE; Reid, NV; Edwards, NC; and Chaffee, RI) fell in the middle range. In contrast, 10 Democrats got high marks of 95 or 100 and 14 Republicans got a 5 or 0. That is, more than twice as many senators (24) fell in the four very extreme categories than in the nine middle categories (11).

In our 1984 article, we documented two findings about the scores of the ADA and other interest groups. First, the interest groups basically gave out the same set of ratings or the mirror image of that set. If a general purpose liberal interest group like the ADA gave a rating of 100 to a representative, the representative would nearly always get a very high rating from another liberal interest group, such as the LCV, even when the interest group focused on a single policy area, like the environment. Similarly, a 100 ADA rating made a very low rating from a conservative group like ACU or NTU a foregone conclusion. This agreement across interest groups meant that interest groups were evaluating members of Congress along a single, liberal-conservative dimension. Individual issue areas, such as race perhaps, no longer had a distinctive existence.

Second, the interest groups were giving out fewer and fewer scores in the moderate range of 40s, 50s, and 60s. Moderates were giving way to more extreme liberals and conservatives. Put simply, the interest groups had little difficulty in placing Ted Kennedy and Jesse Helms as ideological opposites and they found fewer and fewer Jacob Javits and Sam Nunns to put in the middle. The change we noted occurred in the last half of the 1970s; indeed our data went only through 1980.

We summarized our findings by combining all the ratings to give a single liberal-conservative score to each member.[4] We then measured polarization in a variety of technical ways that we explain more fully in chapter 2. One measure was just how much the scores for members of the two political parties overlapped. If moderates were abundant in both parties, there would be substantial overlap or low polarization. If the Democrats had only liberals and the Republicans only conservatives, there would be no overlap or high polarization. We found that the overlap had shrunk.

Just using interest group ratings, however, has two limitations. First, interest groups select only a small number of roll call votes. The ADA, for example, uses just 20 per year. Each house of Congress, in contrast, conducts hundreds of roll calls each year. The ADA'S selections might be a biased sample of this richer universe.[5] Second, interest group ratings became common only in the second half of the twentieth century. We cannot do a long run study of polarization, inequality, and immigration just on the basis of interest group ratings. So we developed NOMINATE, a quantitative procedure that would score politicians directly from their roll call voting records, using all the recorded votes. These techniques essentially use information on who votes with whom and how often to locate these positions. For example, if Arlen Specter votes with Hillary Clinton or Bill Frist much more frequently than Clinton and Frist vote together, then these techniques position Specter as moderate in between those more extreme senators. Using this algorithm over hundred of legislators and thousands of vote allows us to develop quite precise measures of each member's position on the liberal-conservative spectrum. In chapter 2, we go into much more detail about how these positions are estimated. We also discuss the various ways we measure polarization from these scales. In the remainder of this chapter, we measure polarization by the average difference between Democratic and Republican legislators on the NOMINATE scale. The NOMINATE scale is based on all recorded roll call votes in American history and permits us to look at very long run changes in polarization.

The Common Trajectory of Polarization and Inequality

Our measure of political polarization closely parallels measures of economic inequality and of immigration for much of the twentieth century. We show this with three plots of time series.

One measure of income inequality is the Gini coefficient of family income calculated by the Bureau of the Census. The Gini coefficient shows how the entire distribution of income deviates from equality. When every family has the same income, the Gini is zero. When one family has all the income, the Gini is one. In figure 1.1, we show the Gini and polarization in the post World War II period.[6] Income inequality falls from 1947 through 1957, and then bounces up and down until 1969. After 1969, income inequality increases every two years, with a couple slight interruptions. Polarization falls from 1947 to 1967, bounces in the next ten years, and then, since 1977, follows an unbroken upward trajectory.

Insert Figure 1.1 Here

We stress an important aspect of the timing of the reversal in inequality and polarization. In some circles, both of these phenomena are viewed as the consequence of Ronald Reagan's victory in the 1980 elections. Both reversals, however, clearly predate Reagan and Reaganomics. Reagan conservatism was a product sitting on a shelf in the political supermarket. In 1976 Reagan unsuccessfully fought Gerald Ford for the Republican nomination. In 1980, customers switched brands, arguably the result of a preference shift marked by rising inequality and party polarization.[7]

When we relate polarization to citizen political preferences, in chapter 3, we can only look at the period from the 1950s to the present. Our major data source for the chapter, the National Election Study, first polled in 1952. When we look at citizenship and campaign contributions, in chapters 4 and 5, respectively, we are further restricted to start in the 1970s. The Census Bureau began asking questions on both citizenship and voter turnout in 1972, and the Federal Election Commission kept campaign finance data starting in 1974. Despite these data limitations, we should emphasize that polarization underwent a long decline in the first two-thirds of the twentieth century. We cannot relate the decline in polarization to the Gini or other census bureau measures of inequality, but we can see the larger picture thanks to an innovative study by Thomas Piketty and Emanuel Saez (2003).

Piketty and Saez used income tax returns to compute the share of percent income going to the richest of the rich. In figure 1.2, we plot the share going to the top 0.1 percent of the income distribution. This longer series matches up nicely with our polarization measure over the entire 20th century.

Insert figure 1.2 here

The decline in polarization throughout the first 70 years of the twentieth century is echoed by much of the literature written toward or just after the end of the decline. During this period, Americans were seen as having grown closer together politically. In 1960, the sociologist Daniel Bell published *The End of Ideology: On the Exhaustion of Political Ideas in the Fifties*. A year later, the political scientist Robert Dahl pointed to a nation moving from oligarchy to pluralism (Dahl, 1961). Similarly, the new "rational choice" school in political science emphasized tweedle dee-tweedle dum parties focused on the median voter (Downs, 1957) and members of Congress largely concerned with constituency service (Fiorina, 1978) and universalism in pork barrel politics (Weingast, Shepsle, and Johnsen, 1981). What these authors pointed to was echoed in analyses of roll call voting patterns in the House and Senate. Put simply, the fraction of moderates grew and the fraction of extreme liberals and extreme conservatives fell from 1900 to about 1975 (Poole and Rosenthal, 1997; McCarty, Poole and Rosenthal, 1997). By the beginning of the twenty-first century, the extremes had come back.

The corresponding story for immigration is told by figure 1.3. Immigration is captured by looking at the percentage of the population that is foreign born. [This is the only measure available before the Census Bureau began a biennial collection of data on citizenship in 1972. From 1972 on, we will look, in chapter 4, at the percentage of the population represented by those who are, or more precisely claim to be, non-citizens.] For comparison, we have taken the polarization period back to 1880, the first census after the modern Democrat-Republican two-party system formed upon the end of Reconstruction that followed the elections of 1876.

Insert Figure 1.3 Here

Until World War I, the percent foreign born was very high, hovering in the 13-15 percent range. With the cutting off of immigration, first by the war and then by the restrictive immigration acts of the 1920s, the percent foreign born falls continuously until the 1970 census, just after immigration was liberalized by the 1965 reforms. The percent foreign born thereafter increases sharply, exceeding 11 percent in the census of 2000. In 1970, a majority of the foreign born had become naturalized citizens. By 2000, a substantial majority of the foreign born was formed by non-citizens. In parallel to the track of immigration, polarization hovers at a high level until 1912 and then declines until 1967, with the exception of an up tick in the 1940s.

When we ourselves first saw figure 1.1, 1.2, and 1.3, we realized that major indicators of the politics, the economics, and the demographics of the United States had followed very similar trajectories over many decades. We decided to investigate the political and economic mechanisms linking these three trajectories. This book reports the outcome of that investigation.

A Focus on Income

Throughout the book, we look at income and other components of economic well-being as an important variable in defining political ideology and voter preferences. This is not because we discount the importance of such other factors as race and “moral values”. The emphasis is partly because we seek to redress an imbalance in political science where income has been largely ignored and where race-ethnicity and class (as measured by occupation rather than income) receive more attention. It is partly because many public policies are aimed at incomes and defined largely in terms of income.

Certainly the tax bills of 1993, 2001, and 2003 were among the most important domestic policy changes of the Clinton and George W. Bush administrations. Indeed, the overwhelming majority of congressional roll calls are over taxes, budgets, and economic policies especially after the issue of *de jure* political rights for African-Americans left the congressional agenda at the end of the 1960s. Most importantly, income is closely related to how people vote, to whether they participate in politics by either voting or making campaign contributions, and to whether they are eligible to vote as United States citizens.

Race does appear related to the current absence of redistribution in the United States (Alesina and Glaeser 2004) and to the absence of public spending in local communities (Alesina, Baqir, and Easterly, 1999; Alesina and La Ferrara, 2000, 2002). The claim that welfare expenditures in the United States are low because of race has been made by many authors including Myrdal (1960), Quadagno (1994), and Gilens (1999). But it is hard to see racism as hardening in the last quarter of the twentieth century when inequality increased. Racism and racial tension seem to have been at least as rife when inequality fell. Recall the lynching and race riots in the first half of the century and the urban riots of the 1960s. (Similarly, with regard to occupation or class, unionization has been declining since the 1950s.) We do explicitly consider race when treating ideological polarization in Congress and income polarization in the mass public, but it does, in historical perspective, appear appropriate to make income and economics our primary focus.

The Dance Card

In our second chapter, we document the polarization of politicians. Most of our evidence concerns the two houses of Congress; we have briefer discussions of the presidency and a number of state legislatures. Polarization has increased for two reasons. First, Republicans, North and South, have moved sharply to the right. Second, moderate Democrats in the South have been replaced by Republicans. The remaining, largely northern, Democrats are somewhat more liberal than the Democratic party of the 1960s.

The movements we observe tell us only about the relative positioning of politicians. We say that Republicans have moved to the right because newly elected Republicans have, on the whole, voted in a more conservative manner than Republicans that remain in Congress. Northern Democrats, in contrast, don't look sharply different from Democrats of old.

At the same time, however, how policy issues map into liberal-conservative preferences may have changed. The Republicans have moved sharply away from redistributive policies that would reduce economic inequality. The Democrats, in their platforms, as analyzed by John Gerring (1998), a political scientist at Boston University, have moved away from general welfare issues to issues based on ascriptive characteristics, race, gender, and sexual preference, of individuals. Figure 1.4, drawn from Gerring, shows how the Democrats have moved to emphasize general welfare and then deemphasize it precisely as economic inequality and polarization declined and then increased. Parallel to Gerring's results, we show that "race" as an issue has been absorbed into the main, redistributive dimension of liberal-conservative politics. Taxes, minimum wages, and other traditional redistributive policy areas continue to be liberal-conservative issues; they have been joined by issues related to ascription.

What explains the changes in polarization and the accompanying rhetoric? The changes, we argue, have no simple institutional explanations, such as primaries, reapportionment after censuses, and gerrymandering. We thus open the door for inequality and immigration to be dance partners of polarization.

We proceed, in chapter 3, from politicians to the mass electorate. We use survey data to argue that both partisan identification (Democrat, Independent, or Republican) and presidential vote choice are increasingly linked to income. The relatively poor are increasingly Democratic and the rich Republican. We show that income is important in subgroups of the population that might be thought of as voting homogeneously in terms of race or "moral values". Indeed, the income effect is now stronger in the South than in the North and among white "born agains or evangelicals" than among other whites. We reconcile our findings with the observation that high per-capita income states are now blue, Democratic and low per-capita income states are red, Republican. We also observe that real per capita income, equity ownership, and home ownership for average Americans has dramatically increased as polarization has increased. These increases, we argue, are largely consistent with the main cause of polarization being a move to the right by Republicans.

In chapter 4, we show that movement to the right, away from redistribution, has been facilitated by immigration. We show that non-citizens have become, over the past 30 years, not only a far larger share of the population but also much more disproportionately poor. Since non-citizens are ineligible to vote, there is less pressure to redistribute from the bottom of the income distribution. For example, the Council on Medical Service of the American Medical Association reports that in 1999 immigrants represented about 10 percent of the population but 22% of those without health insurance.[8] The association of voting rights with citizenship thus diminishes support for federal health insurance. On the contrary, Congress, in recent years, has restricted access to Medicaid for immigrants.

In Chapter 5, we argue that polarization in Congress is echoed by patterns of campaign contributions. Contributions are increasingly concentrated on ideological extremes. This polarized giving, coupled with the emergence of the soft money loophole, has reinforced the ideological extremism of political parties and elected officials.

Before concluding, in chapter 7, we use chapter 6 to study the impact of polarization on public policy. We show that changes in such policies as taxes and minimum wages have mirrored the historical trends we found in polarization. As polarization has increased in the past 30 years, real minimum wages have fallen; top marginal tax rates and estate tax rates have been reduced. In addition, we discuss how, in the American system of “checks and balances”, polarization reduces the possibilities for policy change in a way that can increase inequality.

Because legislation in the United States cannot be produced by a simple parliamentary majority, a minority of liberals or a minority of conservatives is frequently able to block policy change.[9] The veto powers of minorities are particularly important when status quo policies are not indexed for inflation. Federal minimum wages are fixed in nominal dollars. A conservative minority has been able to block substantial increases in the minimum, even when the Democrats had unified control of Congress under Jimmy Carter and in the early Clinton administration. Thus, the real minimum wage has fallen. David Lee (1999), an economist at the University of California, Berkeley, has argued that failures to increase the minimum wage are responsible for about half the increase in the disparity between the wages of the median worker (50^{th} percentile) and those of the worker in the 10^{th} percentile of the wage distribution. Lee's work ties the absence of policy change to increased inequality. We, in turn, argue that polarization favors the policy status quo.

Immigration policy aptly illustrates how sticky status quos can affect inequality. Goldin (1994) documents how presidential vetoes withheld restrictive immigration legislation until the 1920s even though congressional majorities had favored it for several decades. During the period before World War I, polarization rose, as shown in figure 1.2 and, as shown by Piketty and Saez (2003), income inequality was extremely high. The logjam was finally broken by the restrictive immigration laws of the 1920s. The new status quo also proved to be very sticky. Reform came only after 40 years, with legislation in 1965. As long as the new status quo held, immigration, inequality, and polarization all fell. Subsequent to 1965, the new policy has prevailed despite an increase in popular support for restricting immigration.

Before we can address the policy consequences of polarization, we need to establish when and how polarization occurred. We now turn to that task.

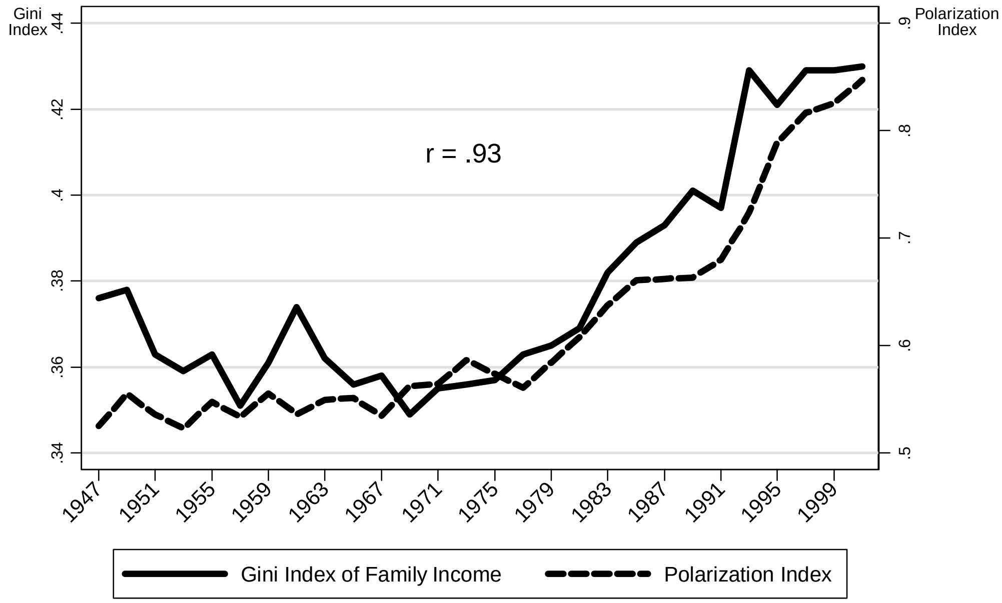

Figure 1.1: Income Inequality and House Polarization

Source: Gini Index from the U.S. Census (2002). Polarization is measured as the difference between the Democratic and Republican party mean DW-NOMINATE scores in the U.S. House.
The Gini and polarization measures correspond to the first year of each biennial congressional term.

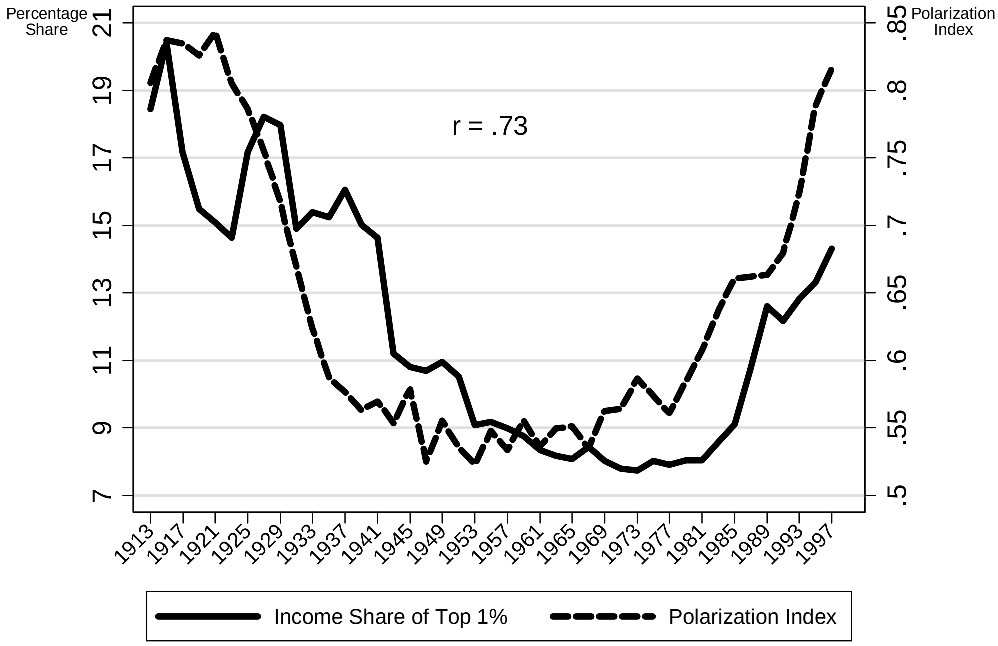

Figure 1.2: Top 1% Income Share and House Polarization

Note: From Piketty and Saez (2001). Used by permission.

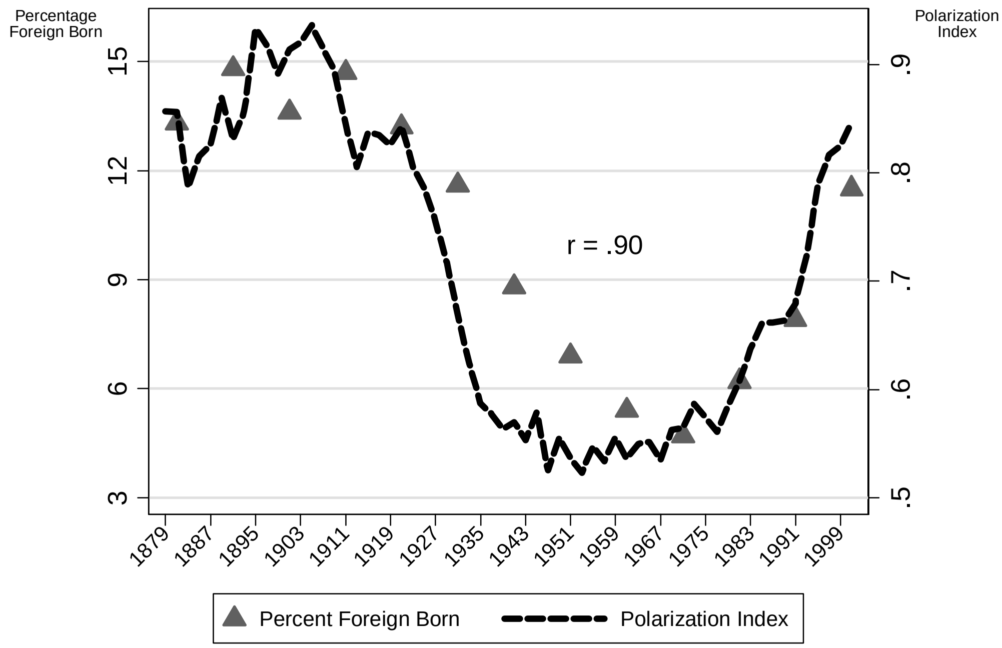

Figure 1.3: Percent Foreign Born and House Polarization

Source: Each observation of Foreign Born population corresponds to a U.S. decennial census.

.

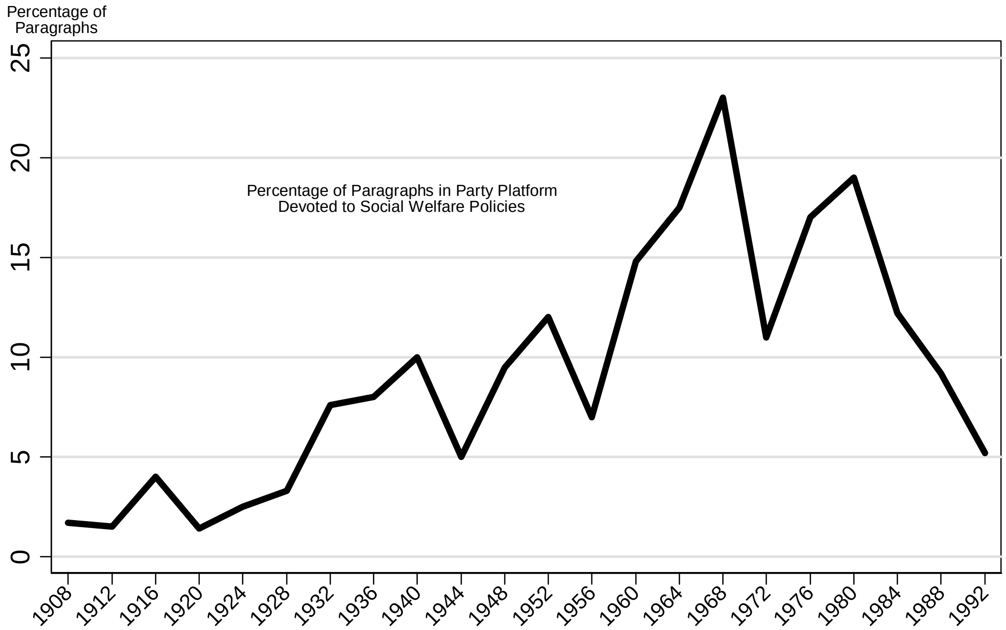

Figure 1.4: Attention to Social Welfare in Democratic Party Platform

Note: From Gerring (1998) Figure 14, used by permission.

Endnotes

[1] Oct. 24, 2004. Quoted at http://www.sfgate.com/cgi-bin/article.cgi?file=/chronicle/archive/2004/10/10/RVG1T9289T1.DTL,

[2] Story of August 24, 2004 found at http://www.editorandpublisher.com/eandp/news/article_display.jsp?vnu_content_id=1000592440.

[3] Computed from http://www.census.gov/hhes/income/histinc/h01ar.html.

[4] We used the least squares unfolding procedure of Poole (1984)

[5] On this point, see Londregan and Snyder (19)

[6] The census bureau series does not cover earlier years.

[7] A number of commentators date the conservative Republican movement from organizational initiatives, including the formation of think tanks that arose in the early 1970s following the Goldwater candidacy in the 1964 election. See Rick Perlstein's (200?) book and a *New York Times* op-ed by former New Jersey senator Bill Bradley. See http://www.nytimes.com/2005/03/30/opinion/30bradley.html? Downloaded April 3, 2005.

,
[8] See, http://www.ama-assn.org/ama/upload/mm/372/a01report8.rtf, Downloaded Dec. 12, 2004.

[9] The formal argument has been laid out by Krehbiel (1998) and developed in a policy context by Brady and Volden (1998)