1 The Choreography of American Politics

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

In the middle of the twentieth century, the Democrats and the Republicans danced almost cheek to cheek in their courtship of the political middle. Over the past thirty years, the parties have deserted the center of the 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 the country divided on moral issues, national security, or NASCAR? Even the First Lady offered her diagnosis, as the Associated Press reported: "First Lady Laura Bush thinks the news media is increasingly filled with opinions instead of facts, and suggested . . . that journalists are contributing to the polarization of the country."[2]

What public commentators missed, however, was that polarization was not a solo performer but part of a tight ensemble. Polarization's partners were other fundamental changes in the American society and economy. Most important, just as American politics became increasingly divisive, economic fortunes diverged. Middle- and high-income Americans have continued to benefit from the massive economic growth experienced since the Second World War. But material well-being for the lower-income classes has stagnated. For each story about successful people like Bill Gates and Sam Walton, there are contrasting stories about low-wage, no-benefit workers.

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

It is important to note that inequality rose 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 (year 2000 dollars) increased from under 3 percent in 1967 to over 12 percent in 2000. Even the middle of the income distribution was more prosperous. In year 2000 dollars, median income increased from $31,400 in 1967 to $42,200 in 2000. Inequality probably had a real (versus perceived) bite on consumption only at the very bottom of the income distribution. This increase in riches, albeit unequal, is likely, as we explain in chapters 2, 3, and 4, to have contributed to polarization.

Economists, sociologists, and others have identified a number of factors behind the shift to greater inequality. Returns to education have increased, labor union coverage has declined, trade exposure has increased, corporate executives have benefited from sharp increases in compensation and stock options, and family structure has changed through rising rates of divorce, late marriage, and two-income households. An additional factor helping tie our ensemble together is the massive wave of immigration, legal and illegal, since the 1960s.

The new immigrants are predominantly unskilled. They have contributed greatly to the economy 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 people. On the other hand, 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 noncitizens they lack the civic opportunities to secure the protections of the welfare state. Because these poor people 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 strongly opposed to redistribution. People at the bottom would have an opposite response. Polarized parties, on the other hand, 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 the majority, they can use the power of the minority in American politics to block changes to the 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 may arise from nonpolitical 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 occupying a position on a liberal-conservative spectrum. Ted Kennedy is a liberal, Dianne Feinstein a more moderate Democrat, Joe Lieberman even more so; Olympia Snowe is a moderate Republican and Rick Santorum a conservative Republican. The perception of conservativeness is commonly shared. There is a common perception because a politician's behavior is predictable. 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 level of individual members of Congress, moderates are vanishing. Second, the two parties have pulled apart. *Conservative* and *liberal* have become almost perfect synonyms for *Republican* and *Democrat*.

Because we are social scientists and not journalists or politicians, we need to nail these shared impressions with precise operational definitions. When two of us (the two not in high school at the time) 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. Among the many groups are the United Auto Workers (UAW), the Americans for Democratic Action (ADA), the National Taxpayers Union (NTU), the American Conservative Union (ACU), and the League of Conservation Voters (LCV). Each interest group selects a fairly small number of roll call votes, typically twenty to forty, from the hundreds taken each 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 see that moderates had vanished by 2003, consider the ratings of the Americans for Democratic Action for that year. The possible ADA ratings rose in five-point steps from 0 to 100. Of the twenty-one possible ratings, nine were in the range 30 through 70. Yet only eleven of the hundred senators (McCain, AZ; Campbell, CO; Lieberman, CT; Breaux, LA; Landrieu, LA; Collins, ME; Snowe, ME; Nelson, NE; Reid, NV; Edwards, NC; and Chafee, RI) fell in one of the nine middle categories. In contrast, ten Democrats got high marks of 95 or 100 and fourteen Republicans got 5 or 0. That is, more than twice as many senators (24) fell in the four very extreme categories as fell in the nine middle categories (11).

Our 1984 article documented two findings about the scores of the ADA and other interest groups. First, the interest groups gave out basically 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, no longer had a distinctive existence. Second, the interest groups were giving out fewer and fewer scores in the moderate range in the 40s, 50s, and 60s. Moderates were giving way to more extreme liberals and conservatives. Put simply, the interest groups had little difficulty placing Ted Kennedy and Jesse Helms as ideological opposites, and they were finding fewer and fewer Jacob Javitses 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, which we explain more fully in chapter 2. One measure was simply 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.

Using interest group ratings only, however, has two limitations. First, interest groups select only a small number of roll call votes. The ADA, for example, uses just twenty per year. But each house of Congress conducts hundreds of roll calls each year. 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 of the recorded votes. To locate the politicians' positions, these techniques use information on who votes with whom and how often. For example, if Arlen Specter votes with both Hillary Clinton and 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 millions of individual choices made by thousands of legislators on tens of thousands of roll calls 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 measures are calculated. 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 DW-NOMINATE scale. The acronym DW-NOMINATE denotes Dynamic Weighted Nominal Three-step Estimation. The procedure is described in McCarty, Poole, and Rosenthal (1997). Hereafter in this book, we abbreviate to NOMINATE. NOMINATE is based on all recorded roll call votes in American history and permits us to look at long-run changes in polarization.

Figure 1.1
Income Inequality and House Polarization
Source: Gini index from the U.S. Census Bureau (2005)
Note: Polarization is measured as the difference between the Democratic and Republican Party mean NOMINATE scores in the U.S. House. The Gini and polarization measures correspond to the first year of each biennial congressional term.

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 correlation 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 of slight interruptions. Polarization bounces at a low level until 1977, and thereafter follows an unbroken upward trajectory.

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 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 look only at the period from the 1950s to the present. Our principal 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, we are further restricted to starting 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 Emmanuel Saez (2003).

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

The decline in polarization throughout the first seventy years of the twentieth century is echoed by much of the literature written toward the end of the decline or just after. 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), members of Congress largely concerned with constituency service (Fiorina 1978), and universalism in pork-barrel politics

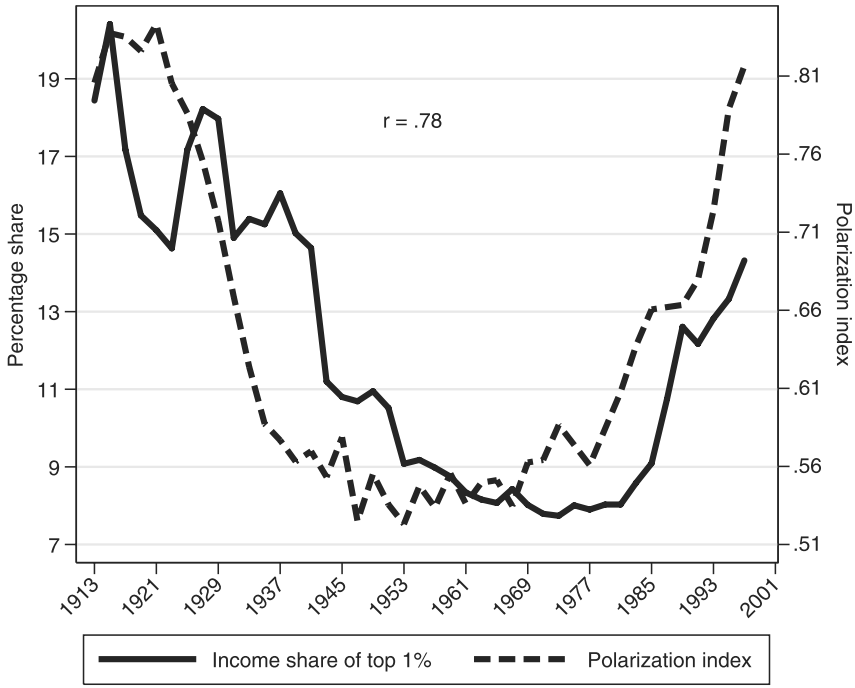

Figure 1.2
Top One Percent Income Share and House Polarization
Source: Income shares from Piketty and Saez (2003), table II.

(Weingast, Shepsle, and Johnsen 1981). What these authors were pointing 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 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 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 following the elections of 1876.

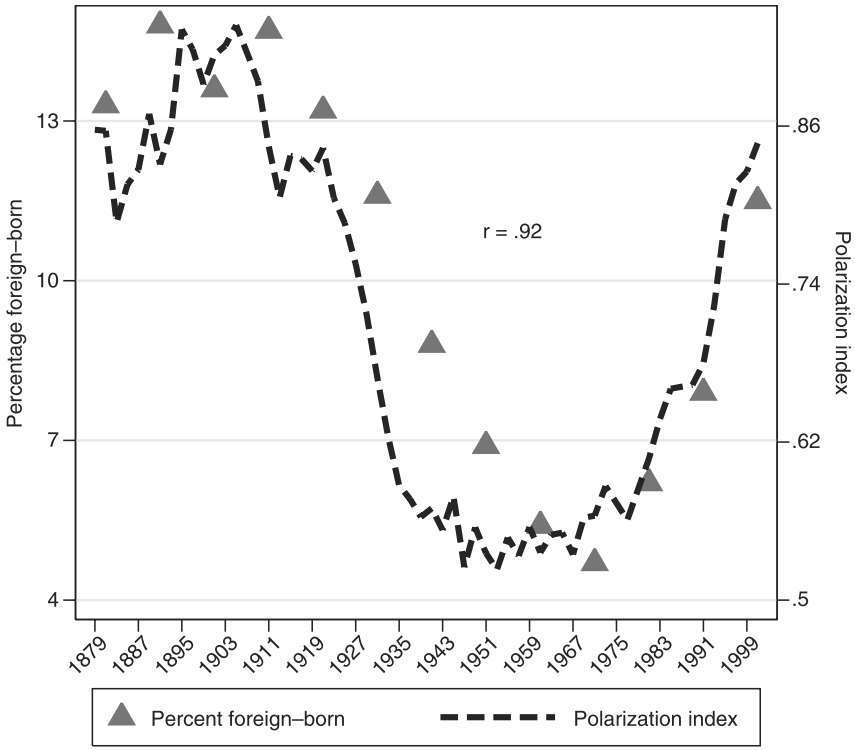

Figure 1.3
Percent Foreign-Born and House Polarization
Note: Each observation of foreign-born population corresponds to a U.S. decennial census.

Until World War I, the percentage of foreign-born living in the United States was very high, hovering in the 13–15 percent range. With the curtailing of immigration, first by the war and then by the restrictive immigration acts of the 1920s, the percentage of foreign-born falls continuously until the 1970 census, just after immigration was liberalized by the 1965 reforms. The percentage of 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 noncitizens. Parallel to the track of immigration, polarization hovers at a high level until 1912 and then declines until 1967, with the exception of the uptick in the 1940s. The immigration series, like the income series, largely parallels our polarization measure.[8]

When we ourselves first saw figures 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 our 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. We do not, however, discount the importance of such other factors as race and "moral values." We chose to emphasize economics partly because we seek to redress an imbalance in political science: income has been largely ignored, and race-ethnicity and class (as measured by occupation rather than income) receive more attention. We chose economics also because many public policies are 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 to be 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). The basic claim of this literature is that the correlation with poverty lowers the willingness of voters to favor public spending for redistribution. But it is hard to see racism as hardening in the last quarter of the twentieth century when inequality was increasing. Racism and racial tension seem to have been rife when inequality was falling: recall the lynchings 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 also include brief discussions of the presidency and a number of state legislatures. Polarization has increased for two reasons. First, Republicans in the 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 the Republicans who remain in Congress. Northern Democrats, in contrast, don't look sharply different from the Democrats of old.

At the same time, however, how policy issues map onto liberal-conservative preferences may have changed. The Republicans have moved sharply away from redistributive policies that would reduce economic inequality. The Democrats as analyzed by John Gerring (1998), a political scientist at Boston University, have moved their platforms away from general welfare issues to issues based on ascriptive characteristics (race, gender, and sexual preference) of individuals. For example, figure 1.4, drawn from Gerring, shows that the Democrats increased emphasis on general welfare through the 1960s but then deemphasized it in the 1970s. The turn in platforms thus matches the reversals in economic inequality and polarization. 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.

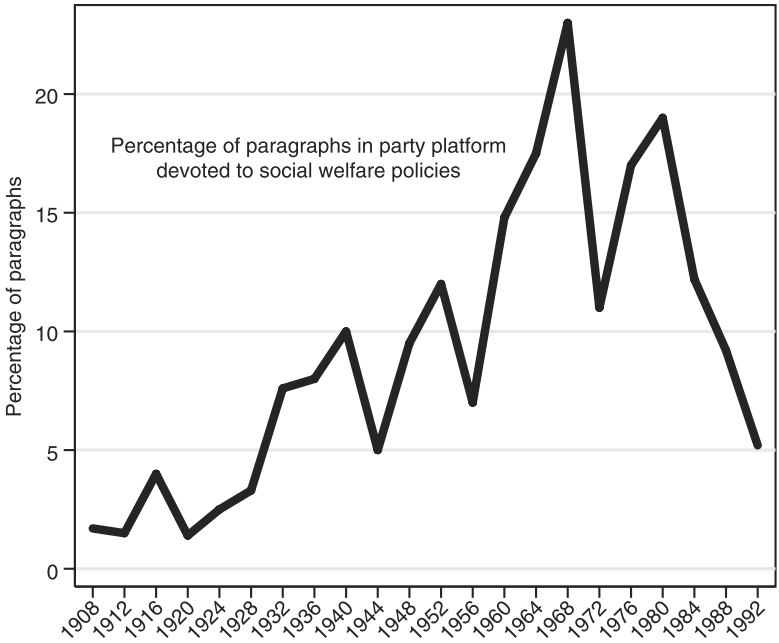

Figure 1.4
Attention to Social Welfare in Democratic Party Platform
Source: Author calculations based on Gerring (1998), figure 14, used by permission.

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 the 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 are frequently treated as homogeneous voting blocs based on racial conservatism or moral values. Indeed, the income effect is now stronger in the South than in the North and stronger 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 hypothesis that the main cause of polarization has been 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. Over the past thirty years, noncitizens have become not only a far larger share of the population but also disproportionately poorer. Because noncitizens are ineligible to vote, less pressure to redistribute comes 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 overall population but 22 percent of those without health insurance.[9] The association of voting rights with citizenship thus diminishes support for federal health insurance. Indeed, Congress, in recent years, has restricted access to Medicaid for immigrants.[10]

In chapter 5 we argue that polarization in Congress is echoed by patterns of campaign contributions. Contributions are increasingly concentrated on ideological extremes. The strongest evidence that campaign contributions have had a polarizing effect are the soft money contributions to political parties. We show that contributors with extreme liberal and extreme conservative preferences gave a disproportionately large share of soft money. This polarized giving, most likely accentuated by the 527 loophole to the recent McCain-Feingold legislation, has reinforced the ideological extremism of political parties and elected officials.

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 thirty 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 changes that would reduce 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.[11] The veto powers of political 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 wage, even when the Democrats had unified control of Congress under Jimmy Carter and in the early Clinton administration. Therefore, the real minimum wage has fallen. David Lee (1999), an economist at the University of California at 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 (50th percentile) and those of the worker in the 10th 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 and 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 sticky. Reform came only after forty years, with legislation in 1965. As long as the status quo of the 1920s 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 analyze the policy consequences of polarization, we need to establish when and how polarization occurred. We now turn to that task.