Tim Phillips [00:00:00]:

Today on VoxTalks Economics how identity is realigning politics. Welcome to VoxTalks Economics from the Center for Economic Policy Research. My name is Tim Phillips. Every week we bring you the best new research in economics. So remember, subscribe, follow us on Instagram as well. You'll find us at VoxTalks Economics. Economists who study politics tend to talk about shared economic interests and preferences for a group of voters. But what part does group identity play in who those voters choose to vote for? We're seeing it in every democracy, it seems, as our leaders are using identity politics to gain new voters or define a distinct political agenda.

Tim Phillips [00:00:57]:

Guido Tabellini of Bocconi University has been researching the influence of identity on voters in the US. And he joins me now. Guido. Welcome to VoxTalks Economics.

Guido Tabellini [00:01:09]:

Thank you.

Tim Phillips [00:01:10]:

I said that it seems like cultural issues are becoming more important to US politics and working as a polarizing force. Is this perception that I have actually true?

Guido Tabellini [00:01:20]:

Absolutely yes. There are three important facts that are particularly relevant in the US. The first is we observe an increased salience given to cultural issues like race and immigration. We see this in survey data. These issues are mentioned as the most important problems more often than in the past. We see it also in the composition of political advertising that goes on on TV where these cultural issues receive more attention in TV advertising compared to economic issues than in the past. The second important fact is that both voters and parties become more polarized on these cultural issues than in the past. This is true both with regard to issues and with regard to groups. So groups defined by their cultural features, such as their race, their religion, are more polarized than in the past. Whereas surprisingly, and that's the third fact, we see a reduced polarization on economic issues and between economic groups. So lower classes and upper classes have more similar opinions on economic issues now than they did in the past. They disagree more on cultural issues. So it's a very pervasive change in the dimensions over which voters and parties are polarized.

Tim Phillips [00:02:42]:

And we are transfixed by the extraordinary nature and changes of US politics. Is this cultural conflict that you've outlined, is it influencing politics in other countries as well?

Guido Tabellini [00:02:58]:

Yes, very much so. It's really a feature of several western democracies. We see an increased salience of cultural issues also in Europe. This is apparent from survey data. It is apparent from party manifestos. Scholars in political science have looked at the contents of party manifestos and over the last decade or so, cultural issues have become more prominent. Also you see it in the way people vote. So the surprising and dramatic change in the political systems in many European countries is the rise of right wing populist parties. What is distinctive of these parties is their cultural positions on immigration, on nationalism, much less so on traditional economic issues. So it is very much a pervasive phenomenon of most Western democracies.

Tim Phillips [00:03:47]:

You mentioned there is less polarization on economic issues, that traditional class alignment with political parties. Do we see in the data that this is weaker than it was in the past?

Guido Tabellini [00:03:59]:

Yes. So this is reflected in how voters vote for the left or for the right. There are interesting studies written by Thomas Piketty in France with other co-authors he has looked at which social groups vote for the left versus the right in the major Western democracies. And he has shown, and we have confirmed this in our analysis, that left wing parties are attracting highly educated voters and they are losing to the right the lower class voters. So in the past, the right used to attract the upper class and the left used to attract the lower class, economically defined. And now we see a class realignment. So the lower class, but the conservative strata in the lower class is shifting to the right. It's voting Republican in the US. It's voting for right wing parties in Europe, and the left is losing some of these lower class, but it's attracting highly educated and richer voters, who in the past used to vote for the right, mostly for economic reasons, and now they vote for the left, mostly for cultural reasons.

Tim Phillips [00:05:06]:

A certain type of US politician frames this as a clash between a progressive elite; they might add the phrase out of touch progressive elite, depending on exactly what they're talking about, and a traditional force in politics.

[Voiceover] [00:05:24]:

A sense of entitlement goes hand in hand with shamelessness, though, of the liberal elites.

[Voiceover] [00:05:29]:

It reinforces the liberal elite's approach to minorities who will not fall in line. This is a matter of the ruling elites versus the rest of us. It's not Republican or Democrat.

Tim Phillips [00:05:41]:

Does this explain the two trends that you're talking about adequately?

Guido Tabellini [00:05:45]:

So it's an accurate description of what is happening, but it doesn't explain why this is happening. And in particular, it does not explain why do we see less conflict between opposite economic classes, despite the fact that inequality has risen in several of these countries.

Tim Phillips [00:06:06]:

Yes. Is it then that the political parties are driving this? They are adopting these issues to be able to recruit a certain group of voters. Could that explain these changes?

Guido Tabellini [00:06:20]:

So that's an explanation that has been put forward by several scholars in the literature, in economics and political science. And again, it is true, as I have described, that parties have taken more extreme positions on these cultural issues and the distinguishing feature between Democrats and Republicans or the left and the right in Europe is less to do with economics. So it is true that these parties have changed their policies in this way, and to some extent this reflect the idiosyncratic features of the leaderships in these parties. But again, I think we would like to go beyond this observation. We would like to understand why have the parties' positions changed in this way and in particular why it is occurring now and in so many countries at the same time. And so just saying because Bill Clinton is a liberal and that's what he believes in is only part of the explanation because you have to explain why is it that we are seeing Salvini and Le Pen and Trump at the same time campaigning on very similar issues. So a very supply side explanation by supply I mean political supply side doesn't explain easily why this is happening in countries that have very different political systems, very different party structures and yet they all have changed in the same way.

Tim Phillips [00:07:46]:

So let's try and go a little bit deeper into this. In your work you're suggesting that the change that's happening here is a shift in the way voters identify from a class identification to a cultural identification. What is culture?

Guido Tabellini [00:08:04]:

So I think a typical example of what we mean by culture is something that has to do with immigration or with preferences over severance sovereignty or issues over which the national dimension versus the cosmopolitan dimension is important. Studies have shown that the reason why people dislike immigrants is not economic. It is not that they are afraid that immigrants take away our jobs or hurt us on the welfare state. People who dislike immigrants don't want immigrants in their neighborhood, in their schools, in their courtyards. So it's something cultural, not economic, that motivates the disagreement that we have over immigrants. And so the story that we tell is that when the salience of these issues, immigration is one of them, race and ethnicity is another, increases the voters see themselves as part of a social group which is defined by having common opinions on these cultural issues as being defined by common ethnicity, by a local community which has a specific opinion on religious issues and civil rights. And they forget in some sense that they are also part of economic groups like opposite economic classes that also have conflicting interests because the salience of these cultural issues has increased. And that's what defines me in a social context and in a political context. And then of course politicians can amplify these feelings in their propaganda with their policy positions.

Tim Phillips [00:09:43]:

As part of this work you surveyed some American voters. Who did you ask? What did you ask them about?

Guido Tabellini [00:09:52]:

So we interviewed, online, 3000 individuals in the US. They were fairly representative of the US population. And at the start of the survey we said to them people tend to describe themselves in different ways. We have observed this in other contexts. These ways could be their religion, their ethnicity, their class. And then we ask what describes best your identity, how you would describe yourself? And we gave them a closed list of possible answers to this question, being a working class, being an upper middle class, belonging to a religious group, my race, my local community and some other groups that would refer to cultural identities. So in that way we elicited the primary identity of these individuals and how they see themselves among these mutually exclusive alternatives. And then after having done that we asked their factual opinions on a number of issues, how many immigrants there are, what is the tax rate on state taxes and policy preferences questions? How many immigrants would you like? Would you like to raise the tax rate or lower it? And then at the end of the questionnaire we asked whether individuals also identified with a political party and whether this political identity was more important than the social identity that they described at the beginning of the survey. So in this way we could not attribute causal effects to identity in this framework but we can find a description of how self-reported social or political identity correlates with your factual opinions, with your policy preferences and also with your voting behavior.

Tim Phillips [00:11:43]:

Does this suggest that that social identity is more important as a driver of voting intentions than in the past?

Guido Tabellini [00:11:51]:

What we found, to our surprise to some extent, is that about two thirds of the respondents expressed a cultural identity. The remaining third expressed either an economic identity or a political identity. We also asked them about their past identity and these identities are fairly stable. About 50% declared to have changed their identity relative to what it was in the past. Going to your question, what we found is that cultural identity seems to be more prevalent now than it used to be in their answer. So to the extent that identity changed it changed from economic to cultural rather than vice versa.

Tim Phillips [00:12:34]:

Has this also influenced the way that they have voted?

Guido Tabellini [00:12:40]:

This is what we expected to find that these identities are associated with how people voted. In particular, cultural identity was very strongly correlated with voting Republican or Democrat. Those that have reported conservative cultural identity voted Republican and the others voted the Democrat. More so cultural identity was more predictive of how you voted than economic identity and also these identities were strongly correlated with their factual beliefs and with their policy preferences. So individuals who define themselves as cultural conservatives tend to overestimate the number of immigrants in the country relative to progressives. And likewise cultural identity is associated with disagreement on both cultural and economic issues while economic identity tends to be associated with disagreement on economic issues both factual questions and policy preferences. So the bottom line is that these social identities shape the view of the world of these respondents. Now, I'm making a causal statement here which may not be warranted by this data but let me say are correlated.So a correct statement is these self reported identity are strongly correlated with your view of the world and that refers not just to political identities which is not surprising, but also to these social identities.

[Voiceover] [00:14:11]:

Recently we spoke to Kevin O'Rourke about why we sometimes miscategorize politicians as populist and how that leads to simplistic and incorrect conclusions. Listen to the episode titled: Should History Change the Way We Think About Populism?

Tim Phillips [00:14:35]:

You've built a model to try to explain this very important global political trend. In the model that you have built, how does this group identity, social identity? How does that link to political party identity?

Guido Tabellini [00:14:53]:

So we built here on an old tradition in political science that began with the work of Lipset and Rokkan in the 60s. These political scientists were arguing that political parties in advanced democracies represents different social groups. The right is traditionally connected to the upper class and to conservative voters. The left is traditionally connected to the lower class and the progressives. So we built on this idea and argued that these different political parties take policy positions that are closer to the preferences of the groups that historically these parties have represented. And when social identities changes from an economic to a cultural dimension, voters beliefs and views of the world change and parties change the groups that they represent. So when the social identities change, the representation of social groups by these political parties changes. So the link between social identity and party identity is indirect in our analysis. I'm not arguing that that's necessarily the best way to model identity. There is also a direct link of political identity to how we vote. We were more interested in understanding this indirect link. I identify with a social group, my identification changes, and this changes also. Which groups are represented in the political system by which party.

Tim Phillips [00:16:25]:

But how does this explain increased polarization that we're also seeing?

Guido Tabellini [00:16:31]:

Right. So our goal was to explain why we see this change in the dimensions of polarization. Less polarization on economics, more polarization on culture. And so in our analysis, there are two ingredients that we did not invent. They were taken from empirical work by social psychologists in the 70s and 80s. The first ingredient is the notion that each one of us has multiple potential identities. I am Italian. I am an economist. I belong to a specific age group. I am male. Which of these potential identity matters in a given political context depends on the salience of the contrast between these groups. So when I watch a TV match between Italy and Germany, I certainly perceive myself as Italian. In this conversation, I perceive myself as an economist, in a political context how I see myself depends on which issue is more salient. So when refugees arrive in Italy from northern Africa and the salience of immigration rises, I perceive myself as a member of a group that takes position on this issue of immigration. So as a member of a cultural group, if we have a strike over wages, I see myself as a member of an economic class. So the first ingredient is that the potential identity that is relevant in a political context depends on the salience of the issue of the moment. The second ingredient is that these

identities matter because when I identify with a social group I depersonalize myself. This means that I slant my beliefs towards those that are distinctive of my in group relative to the out group. So if I identify myself as a blue collar worker I think I am an exemplar member of the union and I perceive class struggle and class conflict as very stark and very extreme. If I perceive myself as a member of my ethnic group instead I perceive ethnic conflict starker than it actually is because that's the stereotype that distinguishes my in group versus my out group. So the mechanism at the heart of our analysis is the salience of some issues has increased maybe due to immigration, maybe due to an increased relevance of the educational divide between highly educated and less educated individuals. This changed how people see themselves and which group they belong to. And this in turn has changed the dimensions over which they have extreme views. I don't see myself anymore as a blue collar worker so I reduce my extremism on class struggle and redistribution. I see myself instead as an anti immigrant member of a conservative social group and that leads me to exacerbate conflict over immigration. So that's how we try to explain this changing dimension in voters polarization.

Tim Phillips [00:19:42]:

Guido does this mean that the class struggle that you're talking about has now become unimportant in party identification?

Guido Tabellini [00:19:50]:

That's right. So that would be exactly one implication of this analysis. Voters have dampened their conflict over redistribution and economic issues. Social classes have become more similar in what they demand. Parties have responded to these changes by converging on economic issues and diverging on cultural issues. And as a result now we see lower class conservatives who vote for the right because they care less about these economic issues. They care more about the cultural issues and also because these parties have become more similar on economic issues. And what distinguishes Republicans and Democrats is the position they take on immigration or on race.

Tim Phillips [00:20:31]:

You tested out your insights with an analysis of the China Shock in the US. Now remind us what was the China Shock? What needed to be explained?

Guido Tabellini [00:20:41]:

Several papers, beginning with an important paper by David Otter at MIT with several co-authors have shown that increased exposure to import competition from China has benefited the right. This is true both in the US and in Europe. So the right has gained votes in the areas and in the communities that were more exposed to import competition from China. We wanted to dig deeper into why that is. So why did the right benefit? Traditionally, the right had more free

trade position than the left or certainly not more protectionist. And so with the lenses of our theory of identity globalization in advanced countries hurts the more unskilled workers who are more exposed to import competition and tends to benefit the highly skilled workers. So it increased the educational divide. That's true also of technology shocks. This increase in the salience of the educational divide facilitates identification with your cultural group because different cultural views are correlated with education. So the unskilled communities that were hurt by the China shock are also generally more conservative. What we then tested is a specific implication of our theory in this environment and that is that you vote right if you belong to these exposed communities, even if you're lower class, because you demand less redistribution and because you become more averse to immigrants and to progressive positions. And that's what the data say. So the lower class individuals in the more exposed communities in the US have become less demanding of redistribution despite being hit by an adverse economic shock and instead they have become more averse to immigrants. So it is consistent with earlier findings in the literature, but it helps to explain why the right gained an advantage. And then we also looked at the speeches given by Republican versus Democrats representatives in these areas. And consistent with theory we find that the Republican Party has become more culturally conservative in these more exposed areas.

Tim Phillips [00:22:56]:

Historically, economic class based identification, it seems to me it was a relatively stable, relatively predictable force in politics. But as you've already explained, people have many intersecting identities that might have different political implications. Does this mean that identity politics is inherently unstable?

Guido Tabellini [00:23:23]:

So that's a very good question and I think it remains to be studied. It's really a question for future research. How can politics and politicians lead to changes in these identities and how malleable it is. In our analysis we do discuss how political propaganda can amplify the effects of identity shifts. But I think a very important question is to understand better how politicians themselves can facilitate these identity shifts. And one perhaps exaggeration here could be to say that this approach can explain why the election of Obama was followed by the election of Trump. The argument here, which some political scientists have actually discussed extensively, is that the election of a black President which to some extent was given by chance, they could have elected somebody else maybe in the primaries. So this random event of having elected the black President increased the salience of race and most importantly led to a better match between how you voted and your opinions on race. So those who were more racially conservative became more likely to vote Republican. Those who were racially progressive became more likely to vote Democrats as a result of the election of a black President. That's documented in survey data and in the literature. This racial divide with the election of Obama became more aligned with a political divide between Republicans and Democrats. And this amplified the salience of race as an issue and facilitated identification on cultural grounds as

opposed to economic grounds. That's an example of how a random shock may have facilitated cultural identity and by facilitating cultural identity. This then led to the election of a very extreme right wing conservative who played into this identity politics from a different angle. I think the short answer to your question is that there is a lot of interesting questions that one can study that we have not been able to pursue yet on how the political system interacts with these social identities. I think we scratch the surface of a very fruitful research agenda.

Tim Phillips [00:25:40]:

We are all living in a live laboratory of these political interactions. So it sounds like there's a lot of interesting research to come. Guido, come back sometime and talk to us about it again. But for now, thank you.

Guido Tabellini [00:25:54]:

Thank you very much.

Tim Phillips [00:26:03]:

The paper is called Identity Politics and the authors are Nicola Gennaioli and Guido Tabellini. It is discussion paper 18055.

[Voiceover] [00:26:19]:

We hope you enjoyed this VoxTalk from the Centre for Economic Policy Research. If you did, please leave us a review and tell your friends about us. Next week on VoxTalks, the long term decline of potential growth.