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Blame Supercommittee's Failure on the Income Gap: Peter Orszag

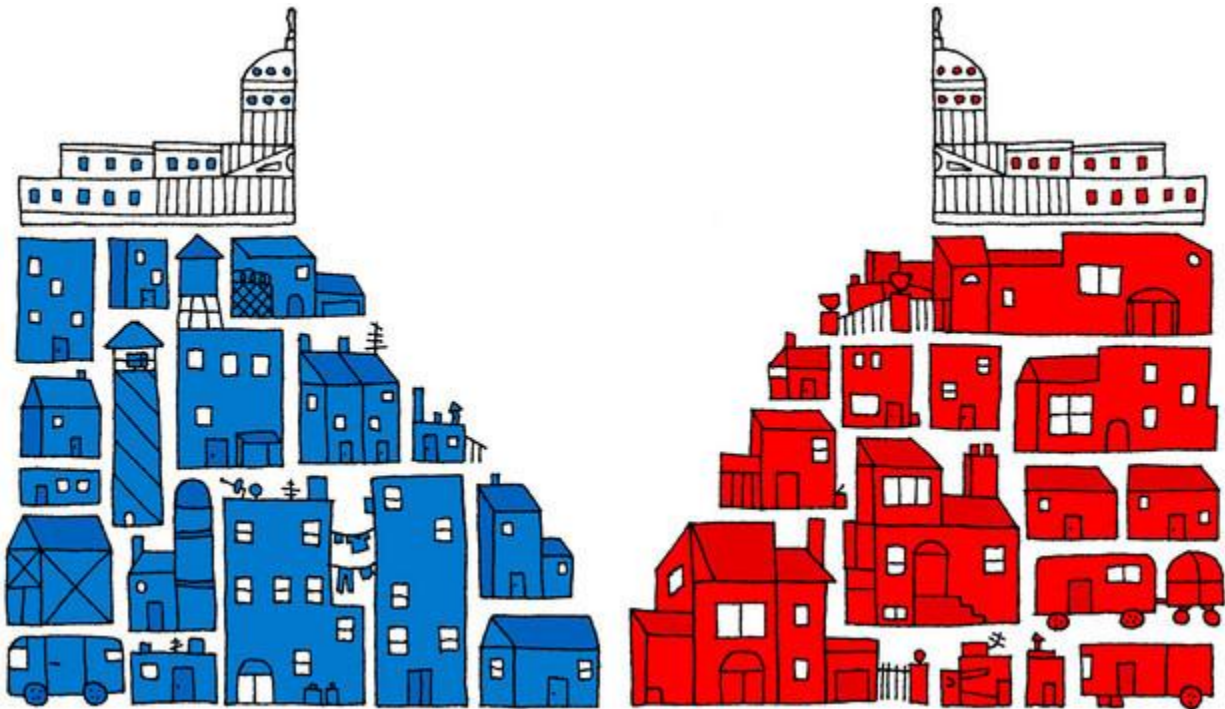


Illustration by Jordan Awan

The supercommittee's failure to reach a substantial agreement this week is disappointing but unsurprising. The old model of politics, in which bipartisan agreement was the key to success, simply doesn't work anymore. In the new model, there is almost no overlap in views across party lines, and government function requires either domination by one party (as was the case for much of President Barack Obama's first two years in office) or more automatic decision-making (as I have suggested elsewhere).

What's causing today's hyper-polarization? Although political scientists still debate the issue, a growing body of evidence suggests that, as economists such as Paul Krugman and Ed Glaeser have argued, increases in income inequality may play a significant role.

It is striking that both income inequality and political polarization began to rise sharply in the U.S. in the mid- to late 1970s. Yet many pundits airily dismiss this connection, arguing that

because blue states are, on average, higher-income than red states, the link between income and partisanship must be weak. Instead, they attribute increasing political polarization to the gerrymandering of legislative districts. Both of these assertions are empirically false.

Gerrymandering plays a relatively modest role in polarization trends. A more plausible driver is the sorting of the population itself into effectively two different camps. To a stunning degree, Americans are increasingly moving into neighborhoods with other people who have similar incomes and share their political views.

Bill Bishop and Robert Cushing, the authors of “The Big Sort,” and others have documented the way Americans increasingly live near people with similar political views. This residential sorting by political party has occurred despite an ongoing overall decline in housing mobility. And although this phenomenon reflects shifts among families of both parties, James Gimpel and Jason Schuknecht, the authors of “Patchwork Nation,” found that Republicans have been more likely than Democrats to move, even after adjusting for income, race and age.

Americans Sort Themselves

A new study provides a hint about one possible force behind this political segregation: Americans are increasingly choosing to live near people in their own income bracket. According to research by Sean Reardon and Kendra Bischoff of Stanford University, in 1970, almost two-thirds of American families lived in middle-income neighborhoods. By 2007, only 44 percent did. The share of those living in a poor neighborhood, in the same period, more than doubled, from 8 percent to 17 percent. So did the share living in an affluent neighborhood -- from 7 percent to 14 percent.

As Reardon and Bischoff conclude, “The increasing isolation of the affluent from low- and moderate-income families means that a significant proportion of society’s resources are concentrated in a smaller and smaller proportion of neighborhoods.” A separate study, by Tara Watson of Williams College, concluded that trends in income inequality can fully explain recent increases in economic segregation.

Does income have anything to do with voting patterns, though? Many pundits have suggested that it doesn’t, and here is where they cite that states generally voting for Democrats are, on average, higher-income than those that vote mostly for Republicans. But an important book by

Andrew Gelman, a professor of statistics and political science at Columbia University, “Red State, Blue State, Rich State, Poor State,” shows why such reasoning is flawed: Within any given state, higher-income people are much more likely to vote Republican.

Gelman finds that although, in any state, higher-income people are more likely to be Republican, the link between income and party affiliation in blue states is less dramatic than it is in red ones. In other words, as you move up the income scale in a Democratic state, the proportion of Republicans rises, but not as much as it does in a Republican state. That higher-income people in red states are so much more likely to vote Republican helps explain the blue state-red state conundrum. My personal experience is consistent with this: It is rare to meet a high-income Democrat in a red state.

Nolan McCarty, Keith Poole and Howard Rosenthal reach similar conclusions in their book, “Polarized America: The Dance of Ideology and Unequal Riches.” They find that since the 1950s, a time when the U.S. experienced historically low levels of political stratification by income, “there has been a rather substantial transformation in the economic basis of the American party system. Today, income is far more important than it was in the 1950s. American politics is certainly far from purely class-based, but the divergence in partisan identification and voting between high- and low-income Americans has been striking.”

And so we come full circle. Residential segregation by income has been increasing markedly, and since income is strongly related to voting patterns, this phenomenon may help explain the rise in residential segregation by political party. As we surround ourselves with people like us, we reinforce our own views, and the result is a more polarized population.

The polarized population, in turn, feeds a more polarized political system, which makes governing difficult. Paradoxically, because polarization creates safe bases for each side, it may make the modest number of centrist swing voters ever more crucial to winning presidential elections. And yet, actually governing from the center is increasingly challenging, given the hyper-polarization reflected in Congress.

“United we stand, divided we fall” has been uttered many times in this nation’s history. As we increasingly fall into divided neighborhoods, we shouldn’t be surprised that our Congress cannot stand united.

(Peter Orszag is vice chairman of global banking at Citigroup Inc. and a former director of the Office of Management and Budget in the Obama administration. The opinions expressed are his own.)