Identity, Beliefs and Political Conflict

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The Rise of Populism

- A global phenomenon

- New dimensions of political conflict

    Immigration, civil rights, nationalism

- Adverse economic shocks and insecurity

Puzzling. Why do those hit by adverse shocks
- Vote right rather than left?
- Support tax cut, less government spending, or unsustainable policies?
- Become nationalist and hate immigrants?

Identity Politics

- Systematic belief distortions behind these phenomena

- Beliefs shaped by social and political identities

- Economic or social shocks $=>$ Social identities $=>$ Political beliefs$=>$ Political outcomes and policies

Globalization / immigration / technology / cultural changes
$=>$ New dimensions of conflict become relevant
$=>$ New social identities over nationalism / cosmopolitanism
$=>$ Less demand for redistribution, more demand for other policies (eg. immigration)

- Endogenous identities amplify and propagate political effects of economic and social changes

Social Identity Approach (Tajfel & Turner)

- Social identifcation as cognitive process of self-categorization

Consequences of identification? **Depersonalization**

- Perceive self as exemplar member of the group
  - Slant own beliefs towards group stereotypes and group norms
- Stereotypes? Distinctive of the group ($\neq$ group average)

What determines identification? **Metacontrast principle**

1. Similarity of i to G, in dimensions that are most salient for i
2. Contrast between G and $\bar{G}$ in that same dimension

Outline

- Identity and stereotypes with one-dimensional conflict (redistribution)

- Endogenous identity with two-dimensional conflict (redistribution & cultural conflict)

- Nationalism vs globalization and economic shocks (three dimensions)

- Survey data on the US and France

Redistributive Conflict

- Public good financed by distorting income tax, τ

- Stochastic individual income, $\tilde{\varepsilon}$

- Individuals differ in their future income prospects, ε

    $\varepsilon =$ expected social mobility of specific individual type

- Two predefined groups: $P \equiv \{\varepsilon \mid \varepsilon < \hat{\varepsilon}\}$, $R \equiv \{\varepsilon \mid \varepsilon \geq \hat{\varepsilon}\}$

- Each type ε is class conscious. How does he think about his own social mobility?

Stereotypes (Bordalo et al.)

- ε identifies with G $=>$ overweights future income realizations distinctive of G

  more likely in G than in $\bar{G}$

- Beliefs distorted towards traits that distinguish P from R

  $\varepsilon \in R$ overly optimistic, $\varepsilon \in P$ overly pessimistic

- Comparative nature: If R gets richer, P feels poorer

Class-Stereotypes

- $f(\tilde{\varepsilon}|\varepsilon)$ satisfies MLRP. Then, the stereotype of L is left tail, that of U in right tail

$f(\tilde{\varepsilon}|L)$

$f(\tilde{\varepsilon}|U)$

Upper Class stereotype

$\tilde{\varepsilon}$

Implications
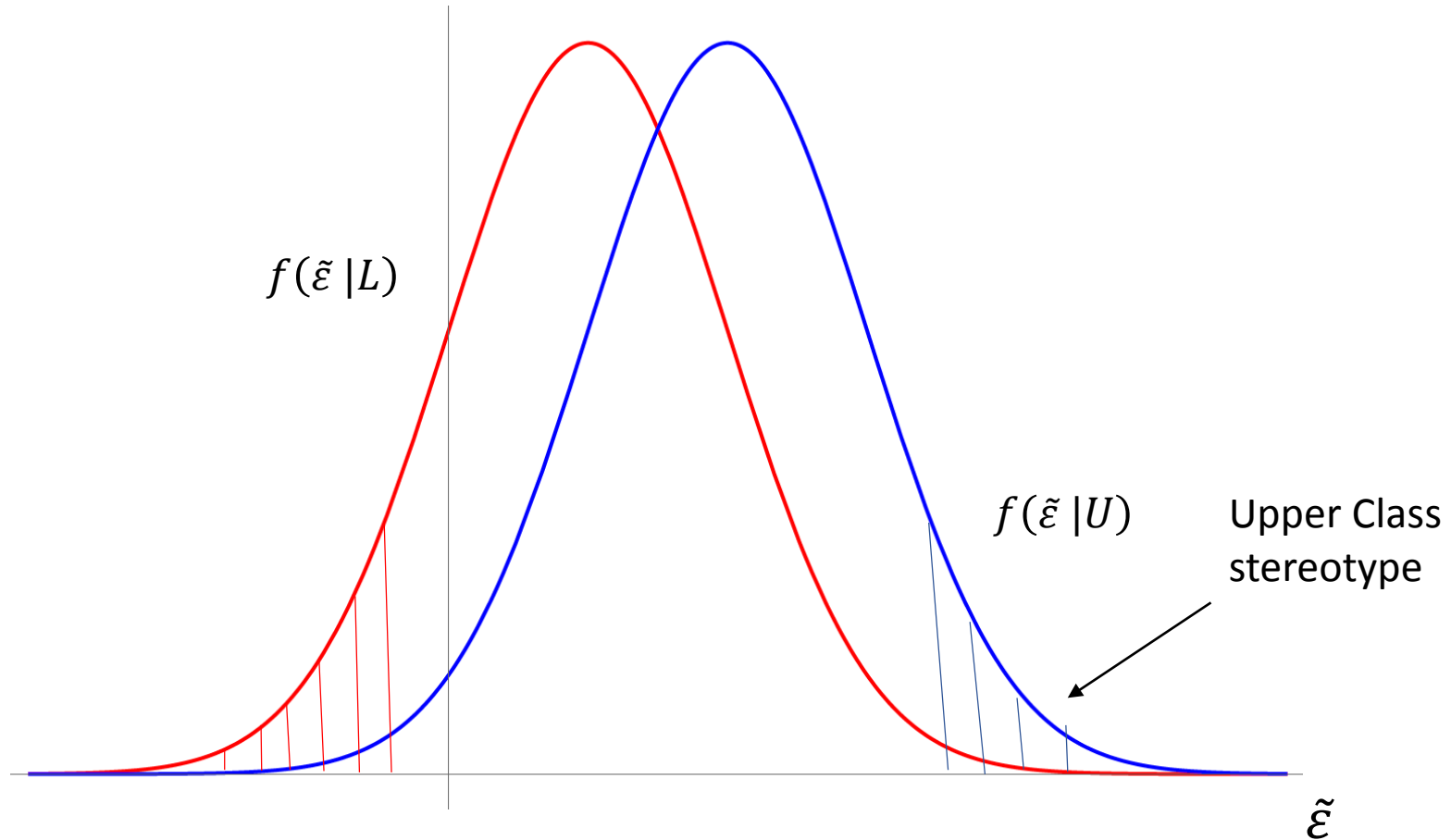
1. Stereotypes increase polarization relative to rational voters

2. *Perceived* polarization even greater than actual polarization

   Westfall et al. (2015), Bordalo et al., Gentzkow (2016)

3. Distorted welfare evaluation: "as if" voters care about relative welfare

   (Shayo, Grossman & Helpman)

4. Electoral competition between two opportunistic parties (group $P >$ group R) $=>$ more redistribution than with rational voters
   - Marx: class consciousness benefits the proletariat
   - Distortion is greater in more polarized societies (Redistributive conflict $=>$ Extreme beliefs $=>$ Stronger conflict)

Two Dimensional Conflict

- Second policy instrument q, eg. immigration or civil rights, with random individual preferences

- Individuals differ in their expected evaluation of policy q, depending on their type ψ

  > Individual type is now (ψ, ε), with given distribution in the population

- Four groups (social categories), historically given

  - *Income based*: $P \equiv \{\varepsilon | \varepsilon < \widehat{\varepsilon}\}$ and $R \equiv \{\varepsilon | \varepsilon \geq \widehat{\varepsilon}\}$
  - *Culture based*: $SC \equiv \{\psi | \psi < \widehat{\psi}\}$ and $SP \equiv \{\psi | \psi \geq \widehat{\psi}\}$

(ψ, ε) belongs to both an income and a cultural group $=>$ With which group does he identify?
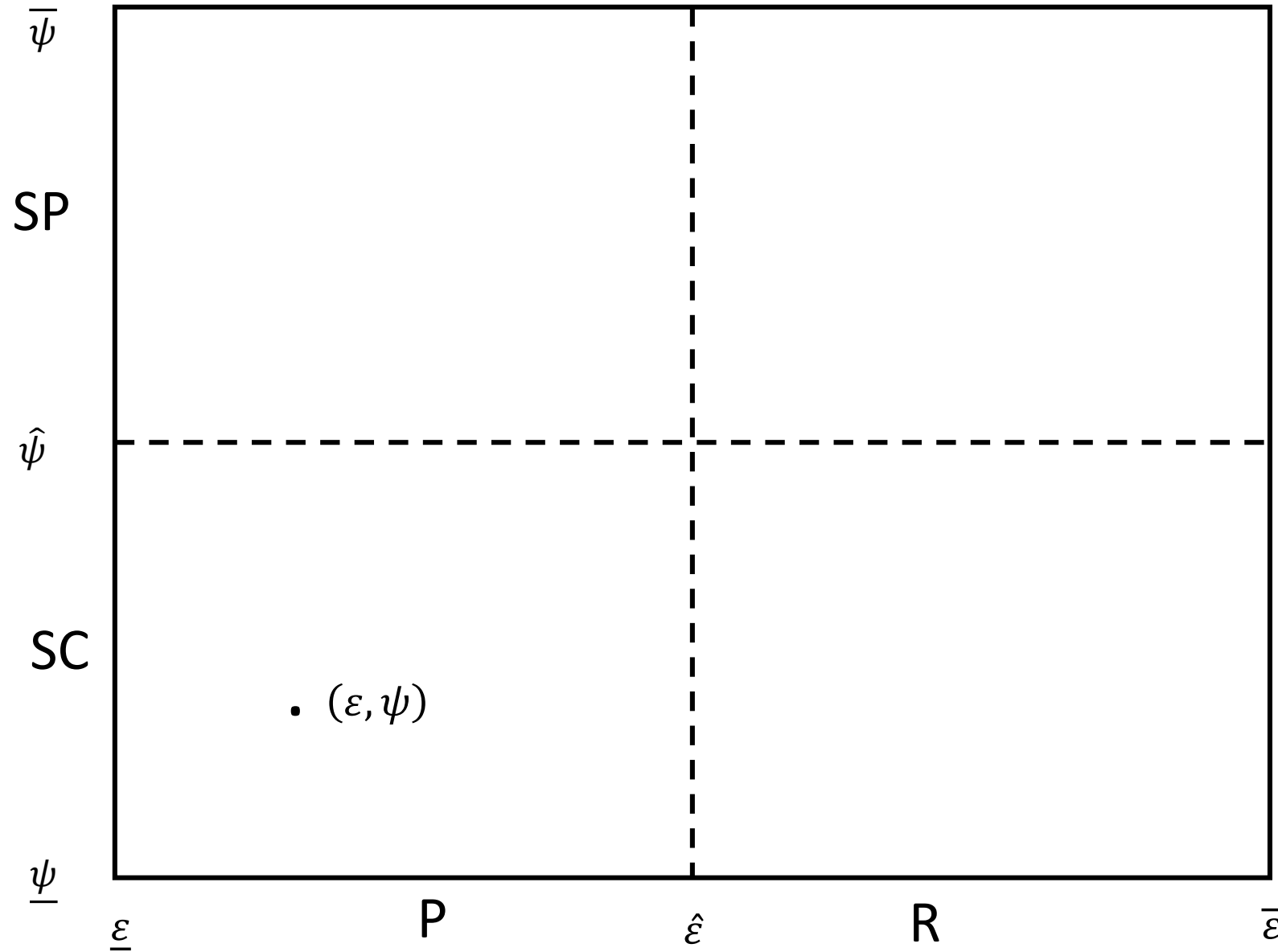
- Does (ε, ψ) identify with Poor or with Socially Conservative group?

Endogenous Identity

(ε, ψ) identifies with group that:

1. Minimizes conflict with other group members

   (with respect to welfare evaluation of policies τ and q)

2. Maximizes conflict between in-group and out-group

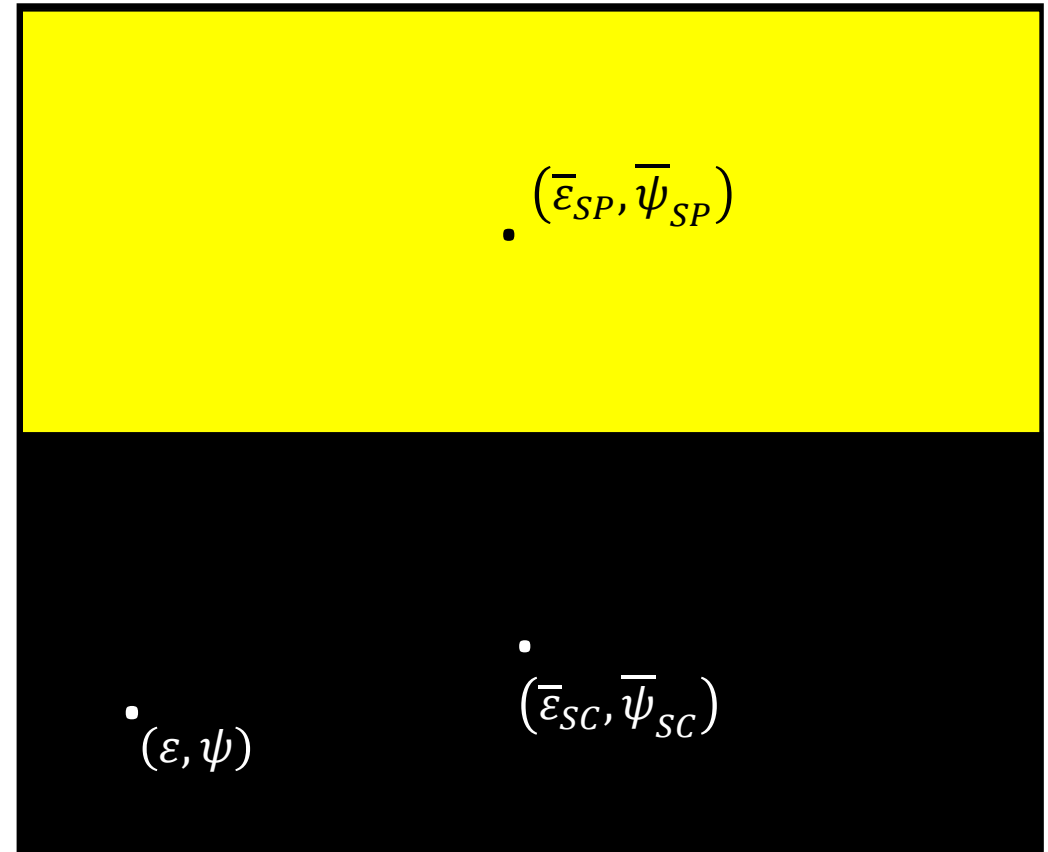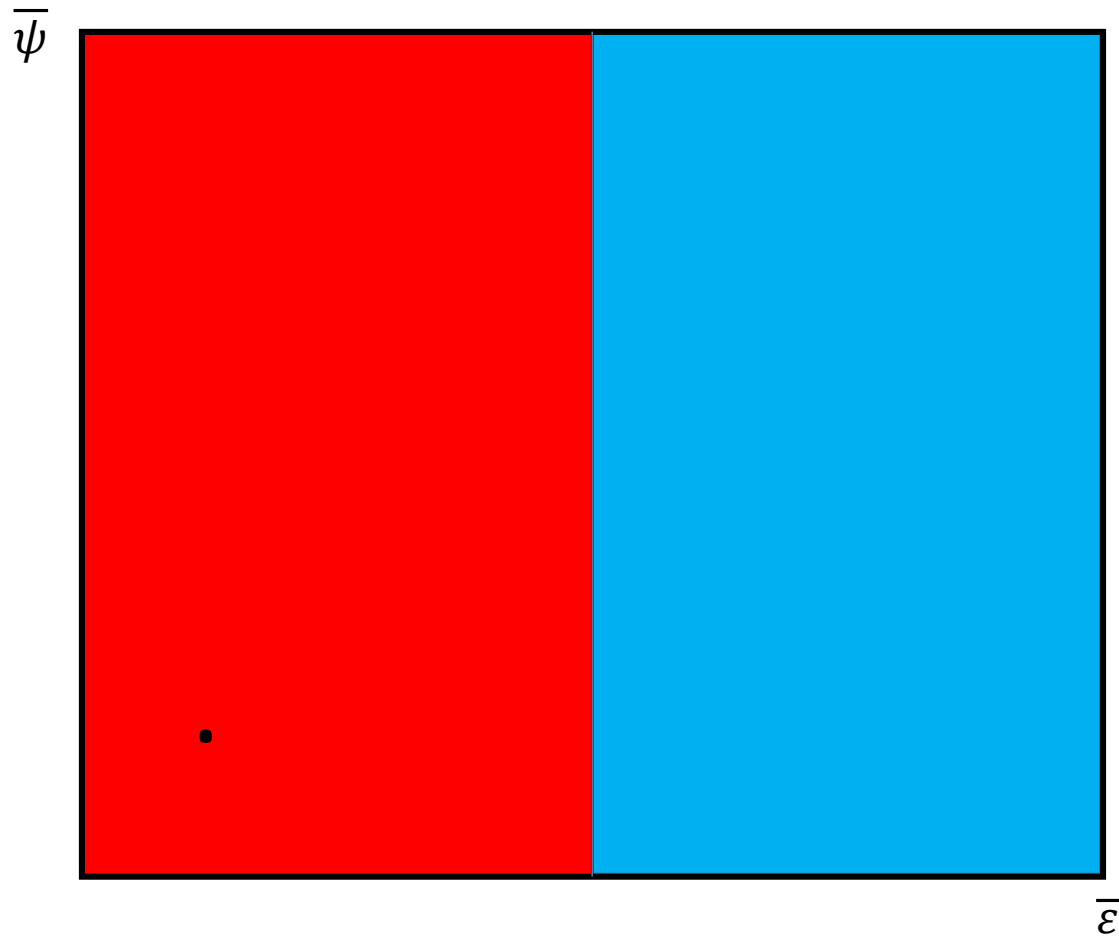$=>$ More likely to identify based on culture if:

- (ε, ψ) more similar to his cultural group than to his income group
- Group contrast in culture larger than in income
- Cultural conflict more important for individual welfare

Low α or Low $|\overline{\psi}_{SC} - \overline{\psi}_{SP}|$
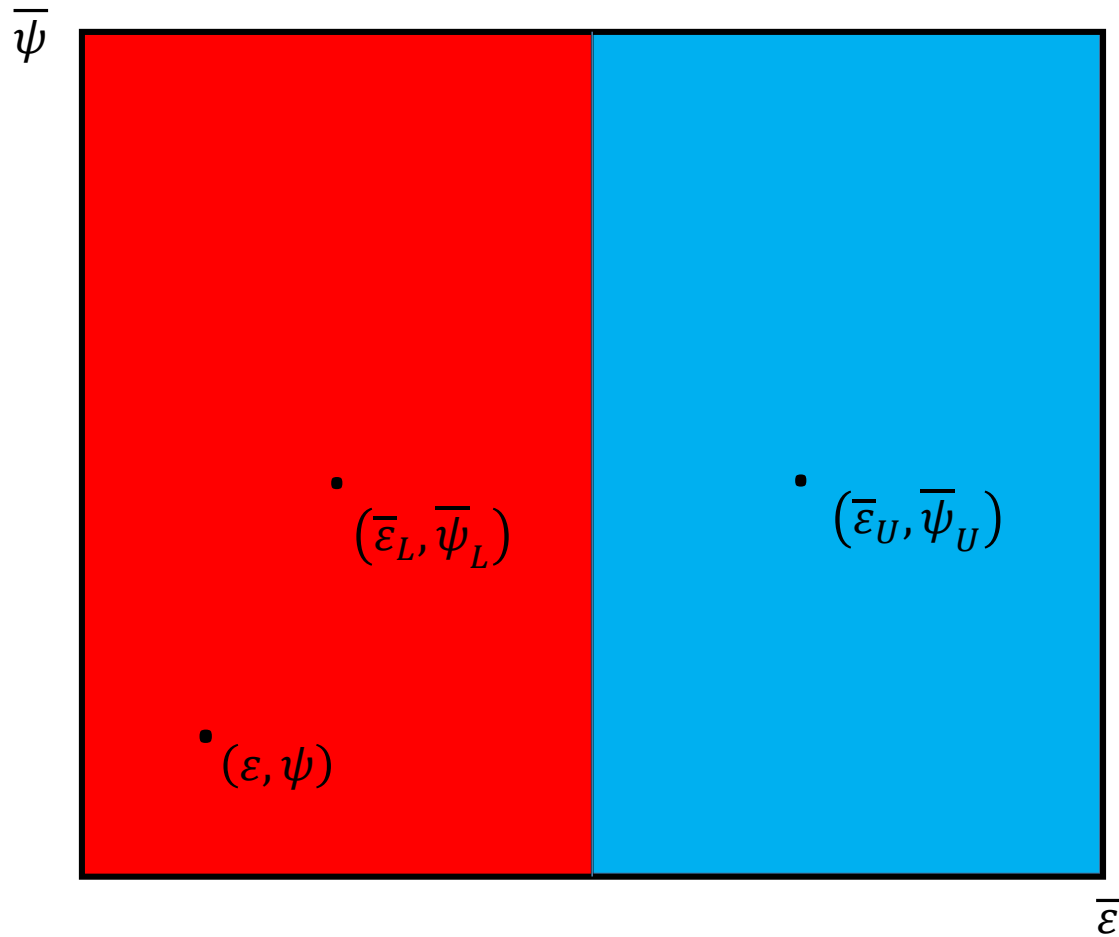
- Little cultural conflict, class based identity

Increase in α or $|\overline{\psi}_{SC} - \overline{\psi}_{SP}|$

- Intuition: Class cohesion drops, salience of cultural groups increase, Jack switches identity
  - Engels, Perlman and socialism in America

Implications

1. Cultural conflict becomes more relevant $=>$ Switch to cultural identity $=>$ Belief distortions switch $=>$ Redistributive conflict is dampened, cultural conflict is exacerbated

2. Negative income shock to socially conservative (less educated) voters $=>$ Correlation between poverty & social conservatism increases $=>$ If strong cultural conflict, switch from class to cultural identity despite increase in inequality

3. In political equilibrium, switch from class to cultural identity $=>$ less redistribution, more distorted immigration / civil rights policies

   economic / social changes $\Rightarrow$ identity $\Rightarrow$ beliefs $\Rightarrow$ political outcomes

Three Dimensions

Three dimensions of heterogeneity:

1. Income
2. Culture
3. Support for globalization

> (2) and (3) are *positively correlated,* while (1) is *uncorrelated* with other traits

- Class Identity $=>$ Beliefs over own future are distorted and polarized, other beliefs undistorted
- Nationalist / Cosmopolitan Identity $=>$ Distorted beliefs and polarization over trade AND cultural policies, preferences over redistribution undistorted

Effects of Trade Shocks

- Trade shocks hits socially conservative voters $=>$ identity switches $=>$ they demand more protection, more socially conservative policies, less redistribution

- Trade shocks $=>$ clustering of voters into groups that disagree on many policies (increased "coherence" of polarization)

  Similar effects with technology or immigration shocks

- Correlation structure $=>$ income based identity more fragile
  - culture was a latent fault line in left / right identification
  - trade shock $=>$ more efficient to identify on nationalism / globalism (trade, immigration, culture are correlated traits)

Evidence on Polarization

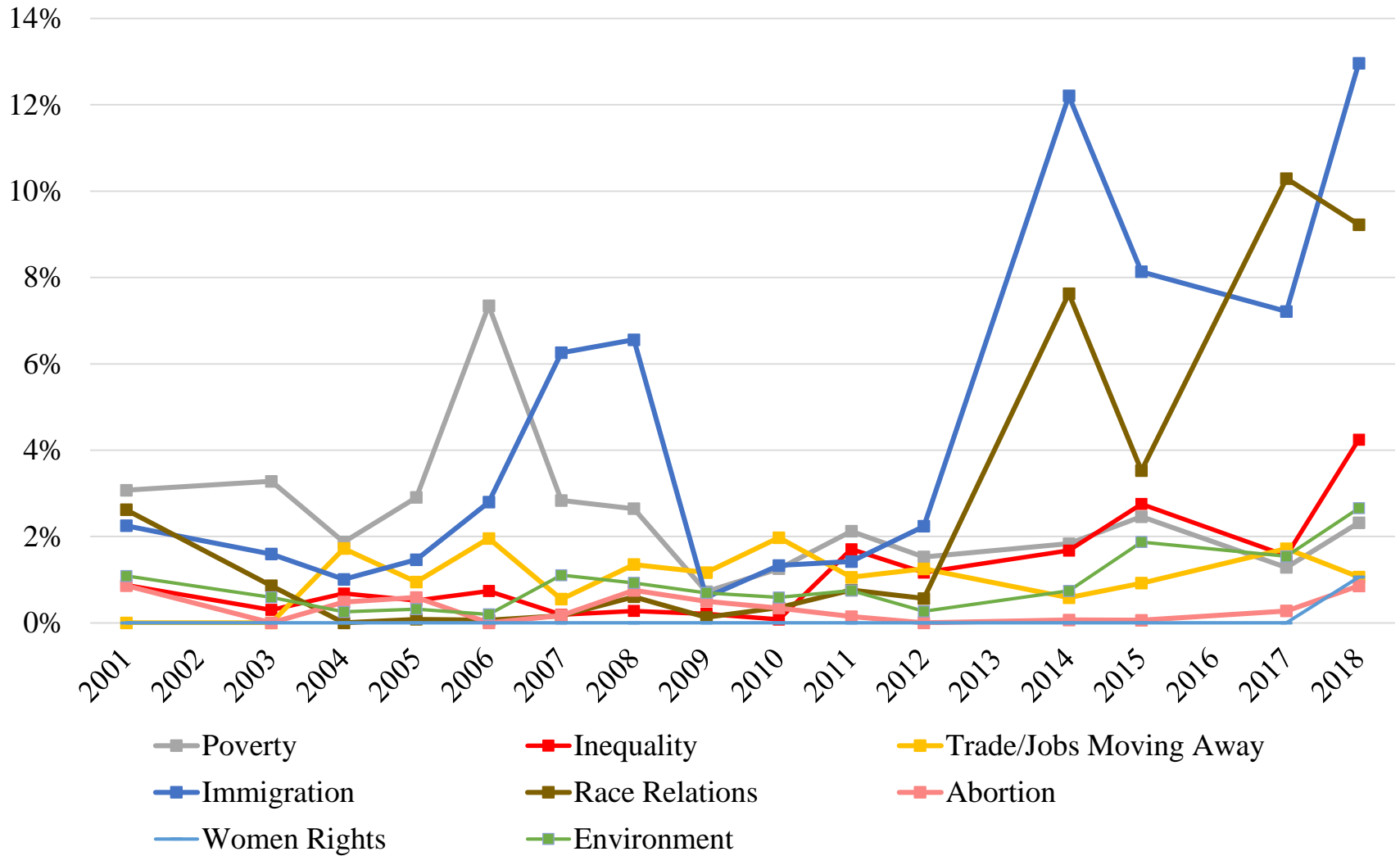Endogenous identity amplifies the effects of social changes, and explains observed patterns of polarization

- Exposure to immigrants $=>$ less willingness to redistribute and less local spending (Alesina et al.)

- Engels on why Marxism did not come to the US

Increased relevance of race and immigration $=>$ Predicted effects:

1. Rising polarization on immigration in aggregate data

2. Changing patterns of polarization between social classes, if:
   - Working class is predominantly P & SC
   - Upper-Middle and Upper Class are predominantly R & SP
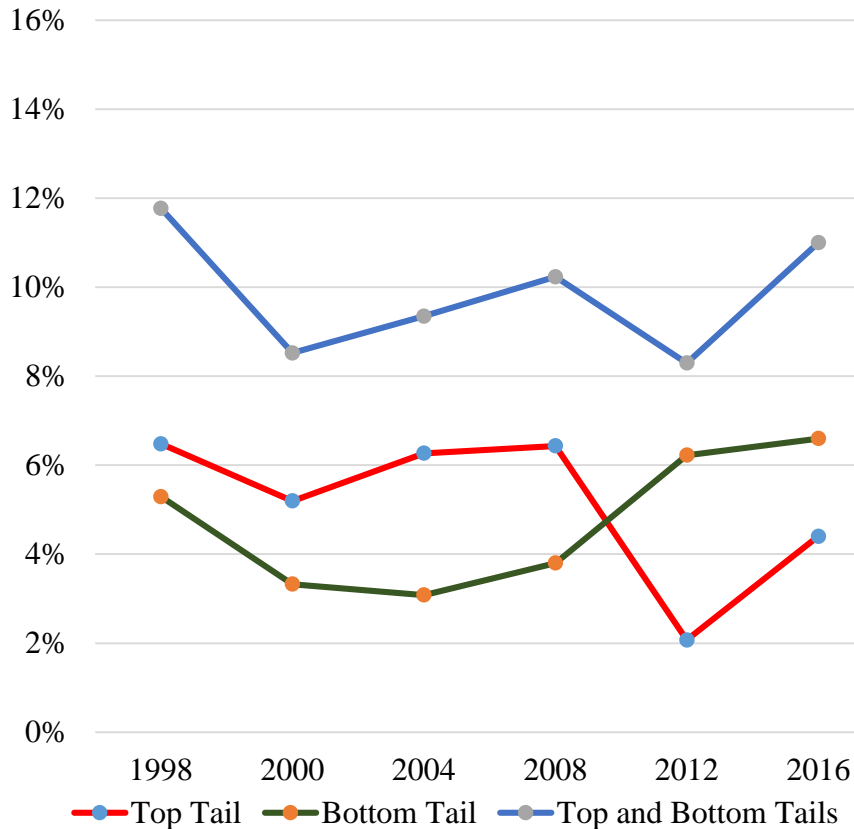
Most Important Problem

% Reporting Issue Among Top 3 MIPs

Legend:
- Poverty
- Inequality
- Trade/Jobs Moving Away
- Immigration
- Race Relations
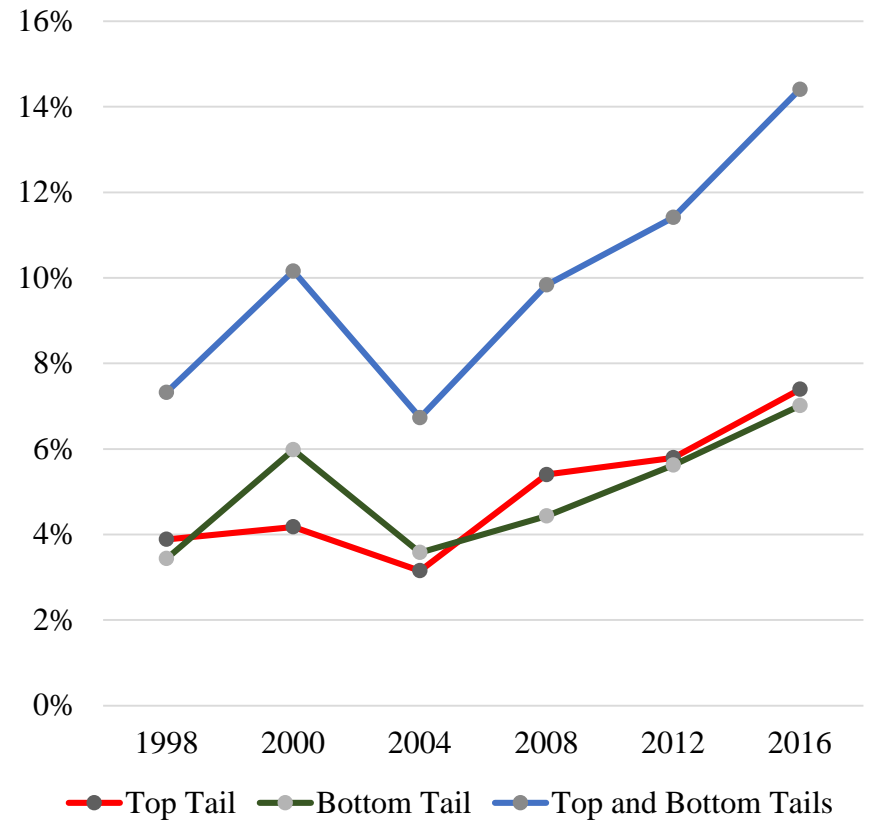- Abortion
- Women Rights
- Environment

Source: Pew Research Center.

Extremism in the Population
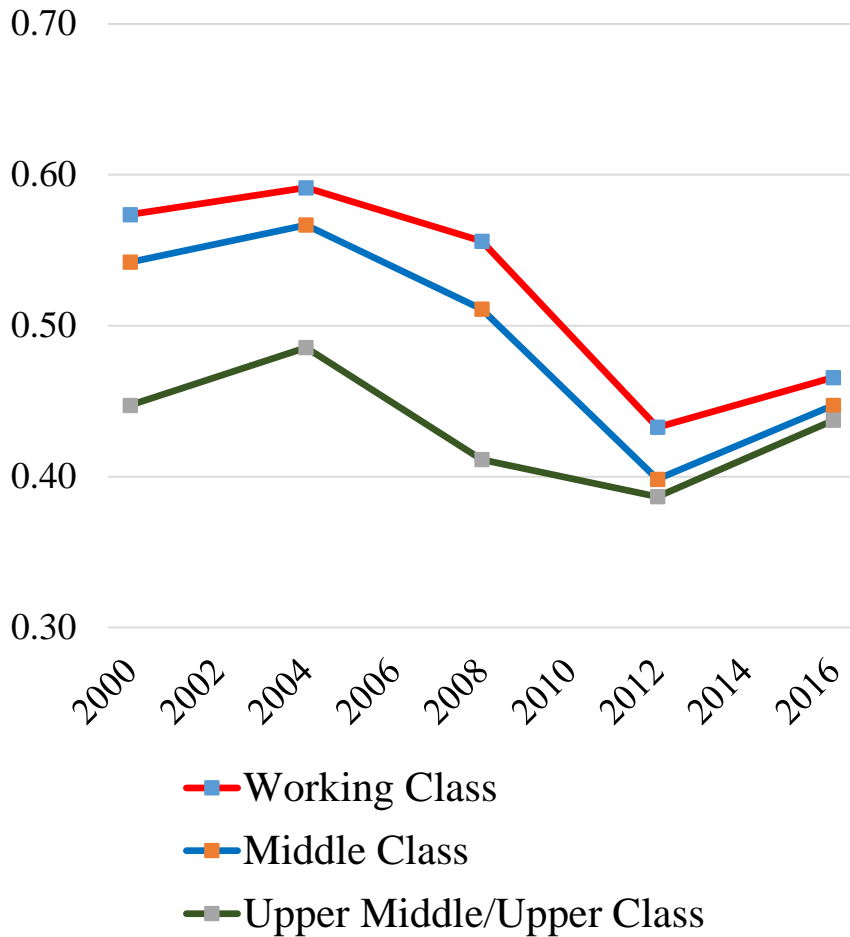
Desired Size of Government

Desired Levels of Immigration
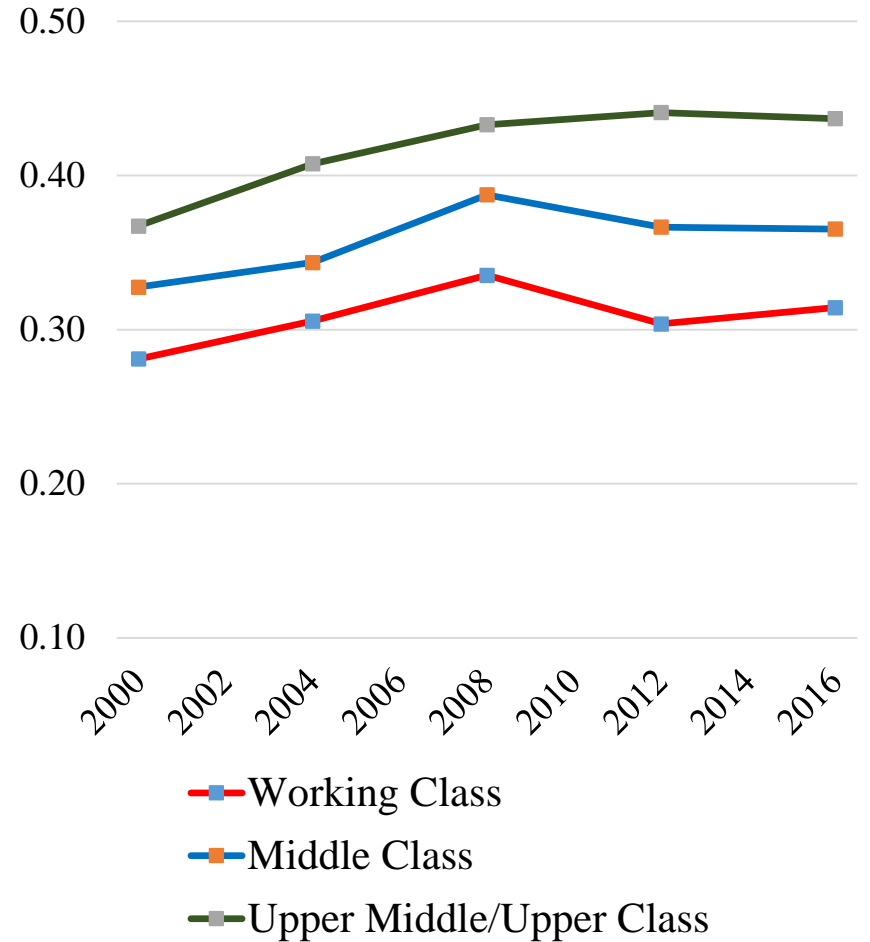

Source: ANES Time Series Studies.

Changing Social Cleavages

Desired Size of Government

Desired Levels of Immigration

Legend (left chart):
- Working Class
- Middle Class
- Upper Middle/Upper Class

Legend (right chart):
- Working Class
- Middle Class
- Upper Middle/Upper Class

Sample: white individuals aged 18 or more. Source: ANES Times Series Studies

Evidence on Trade Shocks

Effect of increased US imports from China on attitudes (do not observe identities)

Replicate Autor et al. (2017) methodology on CCES Survey
- Repeated cross sections: 2006-16, about 36,000 respondents per year
- Panel: 2010-14, about 8,300 respondents

Four questions:

- Cut domestic spending vs raise taxes (to close deficit)
- Aversion to immigrants (first principal component)
- Importance of abortion (correlated with aversion to abortion)
- Vote in presidential /state senate elections

Treatment: change in import penetration in commuter zone, ΔIP, instrumented with ΔIP in Europe

Specification

Two repeated cross sections (2006 and 2016), as in Autor (2017)

$$y_{ict} = \beta_1 \Delta \widehat{IP}_c * d_t + Controls_{ict} + \delta_t + \alpha_c + u_{i,c,t}$$

i individual, c comuter zone, t period
d_t dummy variable for 2nd period
Controls for i and c, also interacted with d_t

- Panel (2010-2014)

$$\Delta y_{i,c} = \beta_0 \Delta \widehat{IP}_c + Controls_{i,c} + u_{i,c,t}$$

ΔIP measured from 6 years before the start of sample period, until end of sample period

Import Shocks and Attitudes

	Cross Section		Panel	
	Cut Domestic Spending (0-100)			
CZ Shock * 2nd Period Dummy	0.512	1.086**		
	(0.363)	(0.525)		
CZ Shock			0.703	3.503**
			(0.938)	(1.771)
Observations	72,712	72,712	8,296	8,296
F	67.1	27.34	80.31	42.7
	Migrant Aversion (PC)			
CZ Shock * 2nd Period Dummy	0.010**	0.014		
	(0.004)	(0.010)		
CZ Shock			0.076***	0.120**
			(0.023)	(0.054)
Observations	73,484	73,484	9,451	9,451
F	75.17	31.01	65.11	42.1
CZ Controls	NO	YES	NO	YES

Notes: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. All specifications include individual demographic controls, mean reversion controls, time dummies and CZ fixed effects. Standard errors clustered on CZ. Source: CCES

Import Shocks and Attitudes

	Cross Section		Panel	
	Abortion Important Issue			
CZ Shock * 2nd Period Dummy	0.013***	0.019**		
	(0.005)	(0.009)		
Observations	48,871	48,871		
F	72.99	27.29		
	Republican Vote			
CZ Shock * 2nd Period Dummy	0.0146*	0.0197*		
	(0.008)	(0.012)		
CZ Shock			0.054***	0.097***
			(0.0181)	(0.0278)
Observations	77,558	77,558	6,673	6,673
F	61.14	24.53	69.73	46.39
CZ Controls	NO	YES	NO	YES

Notes: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. All specifications include individual demographic controls, mean reversion controls, time dummies and CZ fixed effects. Standard errors clustered on CZ. Source: CCES

Panel Survey 2013-17 (Dynamob)

Switich in prevailing dimension of political conflict

- In 2012: Left (L) vs Right (R)
- In 2017: Nationalist (N) vs Globalist (Gl)

10 questions on 3 issues (extract first principal component on each issue, condition on income and education, normalize $=>$ same variance)
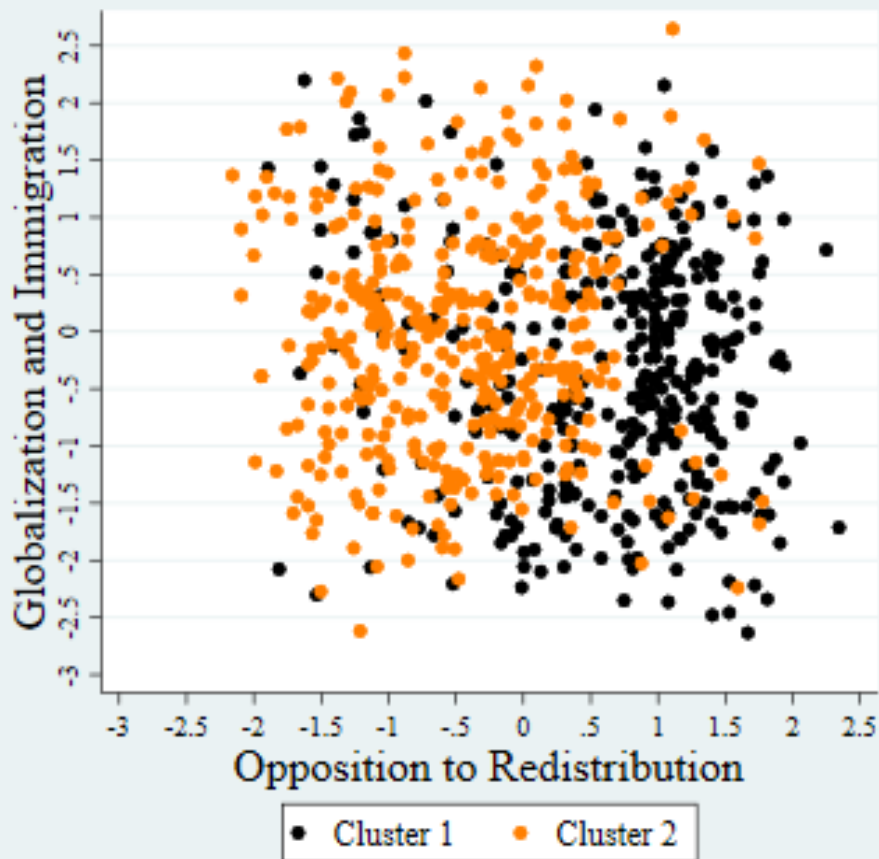
a) Redistribution and role of state in regulating the economy
b) Globalization and immigration
c) Civil rights (gender, homosexuality)

Higher values $=>$ more liberal for b,c, and more right wing for a

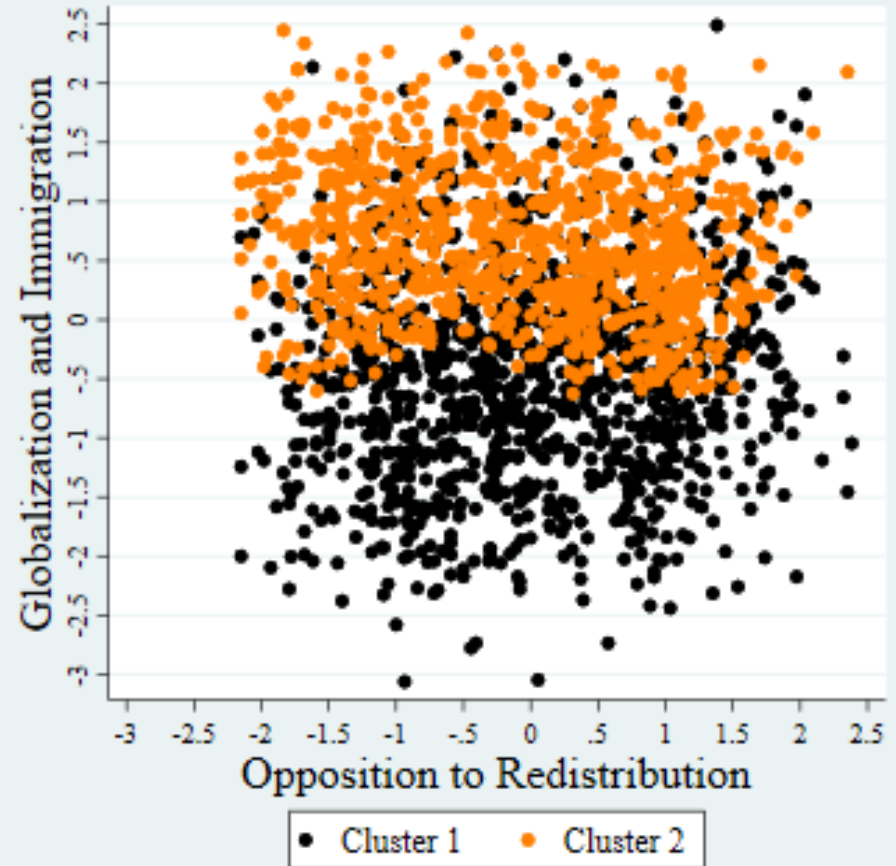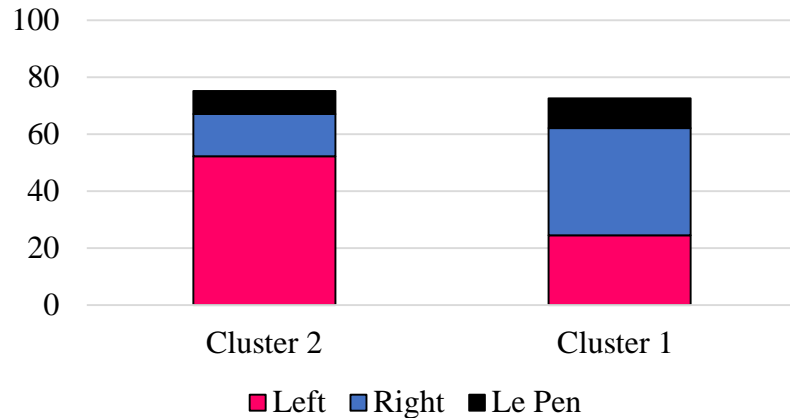# France: Political Conflict in 2013 and 2017

Source: Dynamob.

Clusters and Presidential Elections

Cluster Composition, 2012 (1R)

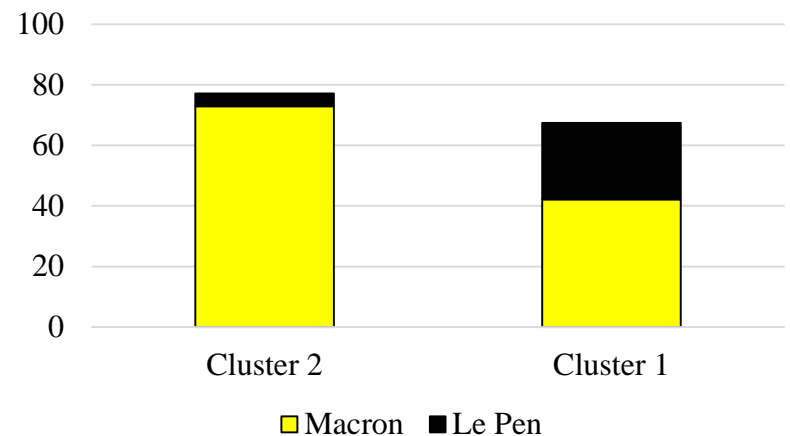Left ■ Right ■ Le Pen

Cluster Composition, 2017 (1R)

Left ■ Right ■ Macron ■ Le Pen

Cluster Composition, 2012 (2R)

Hollande ■ Sarkozy

Cluster Composition, 2017 (2R)

Macron ■ Le Pen

Source: Dynamob.
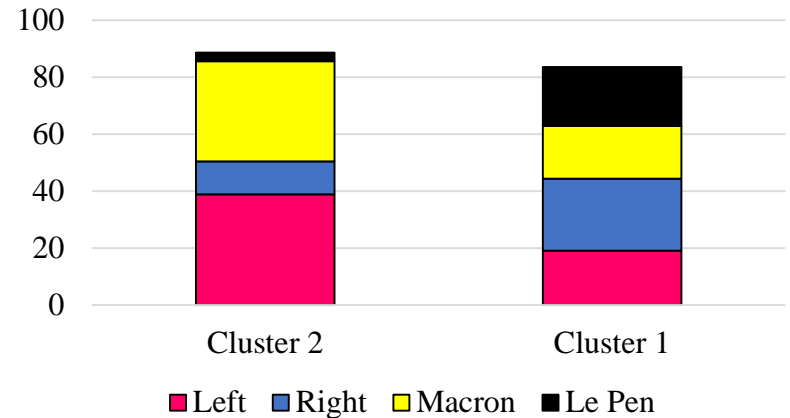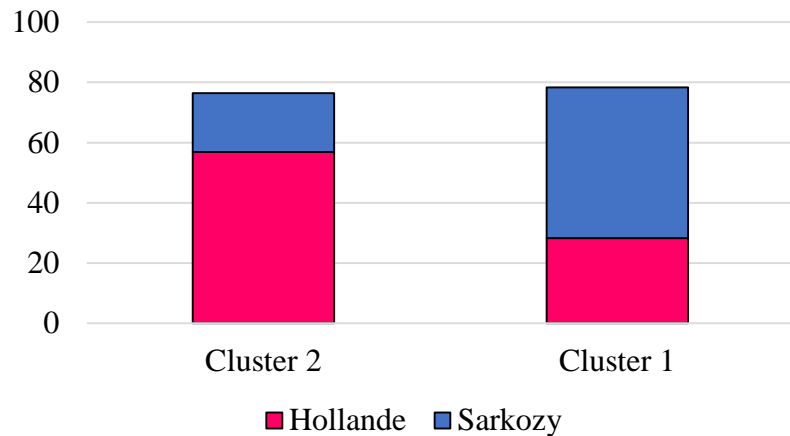
Identities and Attitudes

Assume identities revealed by votes in first round of Presidential elections

- Vote Macron / Le Pen $<=> GI / N$ identity
- Vote Left / Right $<=> L / R$ identity
- Abstain or vote center $<=>$ Not identified on these dimensions

Predictions

1. Switch from L / R in 2012 to GI / N in 2017 $=>$ become more moderate on redistribution
2. Vote GI / N for first time in 2017 $=>$ become more extreme on globalization and civil rights

Of ourse only observe correlations, which may reflect omitted variables or reverse causality

	Δ Immigration and Globalization		Δ Social Progressiveness		Δ Opposition to Redistribution	
Macron 17 (+)	0.0318**	0.0161	-0.0111	-0.00919	0.224***	0.100**
	(0.0147)	(0.0153)	(0.0213)	(0.0210)	(0.0413)	(0.0463)
Le Pen 17 (-)	-0.127***	-0.121***	-0.0506	-0.0678**	-0.00376	0.0232
	(0.0237)	(0.0260)	(0.0322)	(0.0343)	(0.0347)	(0.0411)
Macron 17 * Right 12 (-)					-0.217***	-0.101*
					(0.0569)	(0.0609)
Macron 17 * Left 12 (+)					-0.149***	-0.00792
					(0.0521)	(0.0588)
Le Pen 17 * Right 12 (-)					-0.162**	-0.172**
					(0.0628)	(0.0679)
Le Pen 17 * Left 12 (+)					0.0212	-0.0111
					(0.0820)	(0.0841)
Le Pen 17 * Le Pen 12	0.0164	0.0457	0.0663	-0.0401		
	(0.0456)	(0.0539)	(0.0650)	(0.0733)		
Le Pen 12	-0.0402	-0.0779*	-0.0661	0.0468		
	(0.0327)	(0.0398)	(0.0456)	(0.0534)		
Right 12					0.153***	0.139***
					(0.0285)	(0.0324)
Left 12					-0.0106	-0.0436
					(0.0289)	(0.0340)
Individual Controls	NO	YES	NO	YES	NO	YES
Observations	469	398	472	401	471	400
R-squared	0.294	0.333	0.309	0.371	0.292	0.272

Notes: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. Robust standard errors in parentheses. The dependent variable is the change in attitudes between 2013 and 2017, in a panel of respondents. All specifications include the level of the dependent variable in the first year. Individual controls are education, income and dummy variables for gender, age, immigrant status, employment status, NUTS 1 region and rural area. Income and employment are differenced. Estimation is by OLS. Source: Dynamob

Summary

IT provides a rich framework to study puzzling political phenomena

- Systematic distortions in political beliefs
  - Groups more polarized $=>$ beliefs more distorted
  - Belief distortions $=>$ more actual and perceived polarization
  - Identity switches $=>$ distortions change

- Endogenous identity amplifies and propagates effects of shocks
  - Increased relevance of culture $=>$ identify on cultural (rather than income) affinities $=>$ cultural conflict $\uparrow$, redistributive conflict $\downarrow$
  - Trade shock $=>$ identify as nationalist /globalist $=>$ $\uparrow$ conflict on correlated cultural dimensions (immigrants, civil rights)
  - Those hit by shock become protectionist, anti-immigrants and demand less govt. spending

What Next?

- Supply side of politics
  - Social identities vs political identities
  - Role of political leadership in identification (similarity and polarization)

- Political persuasion
  - How social media spread stereotypes (depersonalization)
  - Role of similarity and extremism in inducing trust
  - What kind of information can debunk stereotypes? (Alesina et al.)

- Identity formation
  - Allow more granular identifcation
  - Salience of issues

- More rigorous empirical evidence
  - Structure of latent groups
  - Causes and consequences of identity switches

Tables A.1 and A2 - Correlations Between Issues

United States

	Redistribution	Globalization	Immigration	Abortion
Redistribution	1			
Globalization	-0.0692	1		
	0.1550			
Immigration	-0.0035	0.2154	1	
	0.9192	0.0000		
Abortion	0.0900	0.1608	0.0157	1
	0.0092	0.0000	0.5179	

Notes: Higher values denote more liberal and open views on all issues. Source: ANES (2000)

France

	Redistribution	Globalization	Culture
Redistribution	1		
Globalization	0.0077	1	
	0.6684		
Culture	0.1439	0.3485	1
	0.0000	0.0000	

Notes: Higher values denote more liberal and open views on all issues. Source: Dynamob (2013 and 2017)

Questions
Dynamob (panel survey 2013-17)

- Economy and redistribution
  - "When faced with economic problems, do you think the State should control the economy or let economy regulate itself?"
  - "Over the next years, do you think priority should be given to competition or workers?"
  - "To establish social justice, we should take away from the rich and give to the poor"

- Immigration and Globalization
  - "The presence of immigrants in France is a source of cultural enrichment"
  - "Muslim French are as French as all other French"
  - "There are too many immigrants in France"
  - "The economic consequences of globalization are extremely negative for France"
  - "Do you believe that France has benefited from its membership to the European Union?"

- Social Progressiveness
  - "Women are mostly made to have children and grow them"
  - "It is normal that homosexual couples can adopt children"