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Political Economy

“Political Alignment and Tax Evasion” (with Julie Berry Cullen and Nicholas Turner)

We ask whether attitudes toward government play a causal role in the evasion of U.S. personal income taxes. We first use individual-level survey data to demonstrate a link between sharing the party of the president and trust in the administration generally and opinions on taxation and spending policy, more specifically. Next, we move to the county level, and measure tax behavior as elections, decided by the voting behavior in swing-states, push voters in partisan counties into and out of alignment with the party of the president. Using IRS data, we find that reported taxable income increases as a county moves into alignment, with the increases concentrated in income sources that are easily evaded, due to lack of third-party reporting. Corroborating the view that evasion falls, potentially suspect EITC claims and audit rates also fall. Our results provide real-world evidence that a positive outlook on government lowers tax evasion.

“Why Did the Democrats Lose the South? Bringing New Data to an Old Debate,” forthcoming, American Economic Review, (with Ilyana Kuziemko) [Online appendix]

A long-standing debate in political economy is whether voters are driven primarily by economic self-interest or by less pecuniary motives such as ethnocentrism. Using newly available data, we reexamine one of the largest partisan shifts in a modern democracy: Southern whites’ exodus from the Democratic Party, concentrated in the 1960s. Combining high-frequency survey data and textual newspaper analysis, we show that defection among racially conservative whites explains all of the large decline in white Southern Democratic identification between 1958 and 1980. Racial attitudes also predict whites’ partisan shifts earlier in the century. Relative to recent work, we find a much larger role for racial views and essentially no role for income growth or (non-race-related) policy preferences in explaining why Democrats “lost” the South.


Despite the large increases in economic inequality since 1970, American survey respondents exhibit no increase in support for redistribution, in contrast to the predictions from standard theories of redistributive preferences. We replicate these results but further demonstrate substantial heterogeneity by demographic groups. In particular, the two groups who have most moved against income redistribution are the elderly and African-Americans. We find little evidence that these subgroup trends are explained by relative economic gains or growing cultural conservatism, two common explanations. We further show that the elderly trend is uniquely American, at least relative to other developed countries with comparable survey data. While we are unable to provide definitive evidence on the cause of these two groups’ declining redistributive support, we offer additional correlations which may offer fruitful directions for future research on the topic. One story consistent with the data on elderly trends is that older Americans worry that redistribution will come at their expense, in particular via cuts to Medicare. We find that the elderly have grown increasingly opposed to government provision of health insurance and that controlling for this tendency explains about 40% of their declining support for redistribution. For blacks, controlling for their declining support of race-targeted aid explains nearly 45% of their differential decline in redistributive preferences (raising the question of why support for race-targeted aid has fallen during a period when black economic catch-up to whites has stalled).

The Voting Rights Act of 1965, called one of the most effective pieces of civil rights legislation in U.S. history, generated dramatic increases in black voter registration across the South. We ask whether the increase in black voting rights was accompanied by an increase in blacks’ share of public spending. We exploit a key provision of the Act — removal of literacy tests at registration — for identification. Employing a triple-difference framework over a twenty-year period, we find that counties with higher black population shares in former literacy test states saw greater increases in both voter turnout and state transfers than comparison counties in non-literacy test states, a finding that is consistent with models of distributive politics.


We assemble a novel dataset of matched legislative and constituent votes and demonstrate that less income does not mean less representation. We show 1) The opinions of high and low income voters are highly correlated; the legislator’s vote often reflects the desire of both. 2) What differences in representation by income exist, vary by legislator party. Republicans more often vote the will of their higher income over their lower income constituents; Democratic legislators do the reverse. 3) Differences in representation by income are largely explained by the correlation between constituent income and party affiliation.


Conventional wisdom and empirical academic research conclude that majority Black districts decrease Black representation by increasing conservatism in Congress. However, this research generally suffers from three limitations: 1) too low a level of aggregation, 2) lack of a counterfactual and 3) failure to account for the endogeneity of the creation of majority minority districts. I compare congressional delegations of states that during the 1990 redistricting were under greater pressure to create majority minority districts with those under lesser pressure in a difference-in-difference framework. I find no evidence that the creation of majority minority districts leads to more conservative House delegations. In fact, point estimates indicate that states that increased their share of majority Black districts saw their delegations grow increasingly liberal. I find similar results for majority Latino districts in the southwest. Thus I find no evidence for the common view that majority minority districts decrease minority representation in Congress.


Using California ballot proposition returns and exogenous shifts to labor demand, we provide the first large-scale causal evidence of the impact of economic conditions on policy preferences. Consistent with economic theory, we find that positive economic shocks decrease support for redistributive policies. More notably, we find evidence of a need for cognitive consistency in voting behavior as economic shocks have a smaller significant impact on voting on non-economic ballot issues. While we also demonstrate that positive shocks decrease turnout, we present evidence that our results reflect changes to the electorate?s preferences and not simply to its composition.


Partisanship is strongly correlated with attitudes and behavior, but it is unclear from this pattern whether partisanship
has a causal effect on political behavior and attitudes. We report the results of a field experiment designed to investigate the causal effect of party identification. Prior to the February 2008 Connecticut presidential primary, researchers sent a mailing to a random sample of unaffiliated registered voters who, in a pre-treatment survey, leaned toward a political party. The mailing informed the subjects that only voters registered with a party were able to participate in the upcoming presidential primary. Subjects were surveyed again in June 2008. Comparing post-treatment survey responses to subjects’ baseline survey responses, we find that those informed of the need to register with a party were more likely to affiliate with a party and subsequently showed stronger partisanship. Further, we find that the treatment group also demonstrated greater concordance than the control group between their pre-treatment latent partisanship and their post-treatment reported voting behavior and intentions and evaluations of partisan figures. Thus our treatment, which caused a strengthening of partisan identity, also caused a shift in subjects’ candidate preferences and evaluations of salient political figures. This finding is consistent with the claim that partisanship is an active force changing how citizens behave in and perceive the political world.


The impact of segregation on Black political efficacy is theoretically ambiguous. On one hand, increased contact among Blacks in more segregated areas may mean that Blacks are better able to coordinate political behavior. On the other hand, lesser contact with non-Blacks may mean that Blacks have less political influence over voters of other races. As for non-Blacks, inter-group conflict theory suggests that greater contact yields greater conflict between the groups while inter-group contact theory suggests exactly the reverse. We investigate this question empirically. We find that exogenous increases in segregation lead to decreases in Black civic efficacy, as measured by an ability to elect Representatives who vote liberally and more specifically in favor of legislation that is favored by Blacks. This tendency for Representatives from more segregated MSAs to vote more conservatively arises in spite of the fact that Blacks in more segregated areas hold more liberal political views than do Blacks in less segregated locales. We find evidence that this decrease in efficacy is driven by more conservative attitudes amongst non-Blacks in more segregated areas.


Cognitive dissonance theory predicts that the act of voting for a candidate leads to a more favorable opinion of the candidate in the future. We find support for the empirical relevance of cognitive dissonance to political attitudes. We examine the presidential opinion ratings of voting age eligibles and ineligibles two years after the president’s election. We find that eligibles show 2-3 times greater polarization of opinions than comparable ineligibles. We find smaller effects when we compare polarization in opinions of senators elected during high turnout presidential campaign years with senators elected during non-presidential campaign years.


Parenting daughters, sociologists have shown, increases feminist sympathies. I test the hypothesis that children, much like neighbors or peers, can influence parental behavior. I demonstrate that conditional on total number of children, each daughter increases a congress person’s propensity to vote liberally, particularly on reproductive rights issues. The results identify an important (and previously omitted) explanatory variable in the literature on congressional decision making. Additionally the paper highlights the relevance of child to parent behavioral influence.


Both Black and White voter turnout increases 2-3 percentage points with each Black Democrat on the ballot. Given the
groups’ representations in the population, the White response is numerically greater. Whites of both parties are less likely to vote for their parties’ candidate when s/he is Black. The turnout findings are not explained away by voter, election, or politician characteristics. However the fact that there is no turnout response to Black Republicans suggests that a perception of Blacks’ ideology may be a factor.

Financial Behavior of Low-Income Households


Previous research has used survey and diary data to carefully document that Food Stamp recipients decrease their expenditures and consumption of food throughout the benefit month, the beginning of which is defined by the date on which benefits are distributed. The reliance on survey and diary data has meant that researchers could not test two rational hypotheses for why food consumption cycles. Using detailed grocery store scanner data we ask 1) whether cycling is due to a desire for variation in foods consumed that leads to substitution across product quality within the month and 2) whether cycling is driven by countercyclical pricing by grocery retailers. We find support for neither of these hypotheses. We find that the decrease in food expenditures is largely driven by reductions in food quantity, not quality, and that prices for foods purchased by benefit households vary pro-cyclically with demand implying that benefit households could save money by delaying their food purchases until later in the month. The price effects are small relative to demand changes and relative to impacts found for other subsidy programs such as EITC, suggesting that most of the benefits accrue to the intended recipients particularly in product categories and stores where benefit recipients represent a small fraction of overall demand. We conclude by concurring with previous literature that food cycling behavior is most likely due to short-run impatience.


Thirty-five to forty-five percent of low-income American households do not possess a bank account. This statistic coupled with claims of price gouging by check cashers has prompted government intervention. I find that state legislation requiring banks to offer low-cost accounts slightly decreases the number of low-income minority unbanked households, but only with a substantial lag. Caps on check cashing fees also lead to a small, but more immediate, reduction in the number of unbanked amongst this population. Because price caps may lead to a reduction in supply, welfare effects are indeterminate.

Health


One approach to covering the uninsured that is frequently advocated by policy-makers is subsidizing the employee portion of employer-provided health insurance premiums. But, since the vast majority of those offered employer-provided health insurance already take it up, such an approach is only appealing if there is a very high takeup elasticity among those who are offered and uninsured. Moreover, if plan choice decisions are price elastic, then such subsidies can at the same time increase health care costs by inducing selection of more expensive plans. We study an excellent example of such subsidies: the introduction of pre-tax premiums for postal employees in 1994, and then for the remaining federal employees in 2000. We do so using a census of personnel records for all federal employees from 1991 through 2002. We find that there is a very small elasticity of insurance takeup with respect to its after-tax price, and a modest elasticity of plan choice. Our results suggest that the federal government did little to improve insurance coverage, but much to increase health care expenditures, through this policy change.