

Presidential Address: Identity Politics*

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Abstract

We offer a theory of changing dimensions of political polarization based on endogenous social identity. We formalize voter identity as in Bonomi et al. (2021), but add parties that compete on policy and spread stereotypes to persuade voters. Parties are historically connected to different social groups, whose members are more receptive to the party messages. An endogenous switch from class to cultural identity accounts for three major changes: i) growing cultural conflict between voters and parties; ii) dampening of redistributive conflict, despite rising inequality; iii) a realignment of lower class voters from the left to the right. The incentive of parties to spread stereotypes is a key driver of identity-based polarization. Using survey data and congressional speeches we show that - consistent with our model - there is evidence of of i) and ii) in the voting realignment induced by the “China Shock” (Autor et al. 2020).

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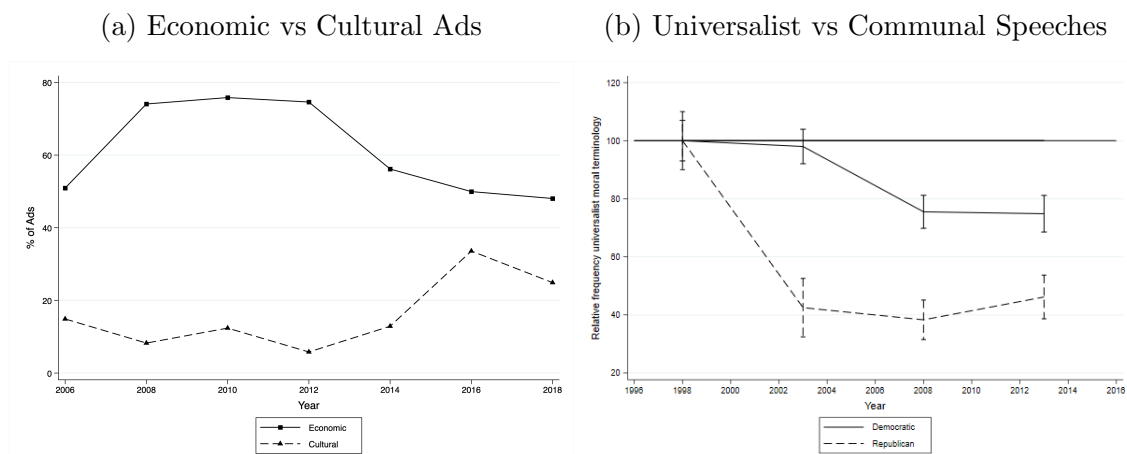
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1 Introduction

In the last two decades, US politics has been transformed. Voters attach increasing importance to, and disagree more on, cultural issues such as immigration, race, and civil rights. Meantime, upper vs. lower class conflict over redistribution has declined (Bonomi et al. 2021, BGT henceforth). Something similar has happened on the supply side. In their propaganda, US parties attach growing importance to cultural issues relative to economic ones (Figure 1, Panel A) and their political rhetoric has polarized culturally: congressional speeches of Republicans have become less universalistic than those of Democrats (Figure 1, Panel B). Thus, there is growing “cultural conflict” between voters and between parties (Moskowitz 2018, Sides et al. 2018, Klein 2020).

Figure 1. Trends in Party Advertising and Rhetoric

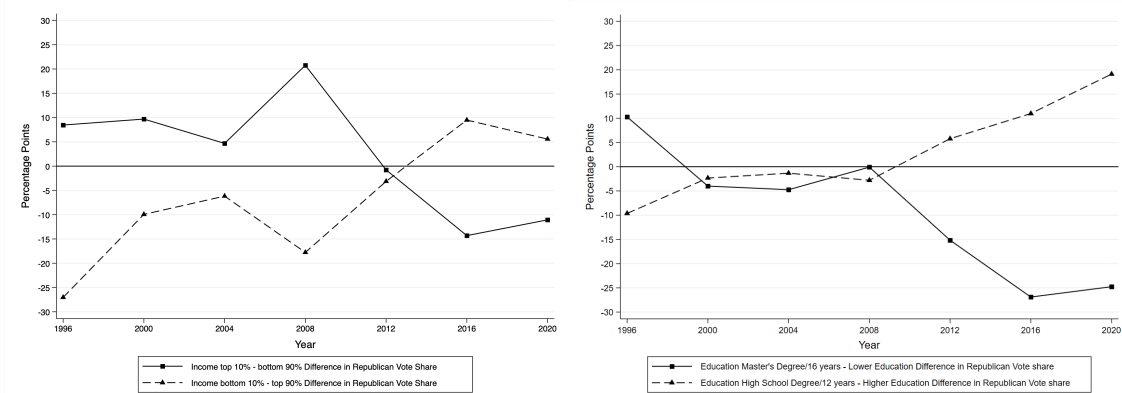


Notes: Panel (a) reports the fraction of TV ads sponsored by the US Democratic and Republican parties, on economic and cultural issues. Source: *Wesleyan Media Project (2008-2018)*. Panel (b) plots the relative frequency of universalist versus communitarian moral rhetoric in Congressional Speeches for Democrats and Republicans, with their standard errors (clustered at the candidate level). Initial values are separately normalized to 100 in the initial year, and observations refer to 5-year averages. Source: Enke (2020).

In addition, voters have realigned across parties. As shown in Figure 2, less educated and poor white people increasingly vote Republican, while the opposite is true for top income earners and highly educated voters. This is part of a long term trend, but it has accelerated recently (Gethin et al. 2022).

Figure 2. Vote Share by Individual Characteristics

- (a) Differences in Republican Supporters by Income
(b) Differences in Republican Supporters by Education



Notes: Panel (a) reports the difference between the (weighted) vote share for the US Republican Presidential candidate of top (resp., bottom) 10 % of the income distribution and that of the rest of the population, among white respondents who voted. Panel (b) does the same for respondents with a Master's Degree or higher (resp., High School Degree or lower) vs the rest of the population. Source: *ANES Time Series Study (1996-2020)*.

Existing work seeks to explain either growing cultural conflict or voters' realignment, seldom both (an exception is Kitschelt and Rehm 2019). Increased cultural conflict is often explained by the spread of higher education, which has divided the electorate between progressive elites and traditional strata (Zeira 2021). This mechanism does not explain why the lower class now demands less redistribution, however, despite increased inequality. Voters' realignment has been attributed to a shift of the Democratic party toward free markets (Kuziemko et al. 2022). This does not explain why party platforms have changed, however, nor why other countries had similar trends (Ford and Jennings 2020, Gethin et al. 2022).

This paper builds on BGT (2021), and explains the transformation of the US political system based on a change in voters' identities. Social identity reflects people's self-categorization in society and shapes their beliefs (Tajfel and Turner 1979). For much of the 20th century, voters saw themselves as members of opposite income classes, mostly in conflict over economic issues. Over time, the growing importance of immigration, race, religion and civil rights has brought to the fore a clash between two opposite views of ideal American society: white, christian and traditionalist, vs

multicultural, multiethnic and progressive. As argued by Fukuyama (2018), Sides et al. (2018) and BGT (2021), voters now identify with social groups on opposite sides of the fundamental cleavage between a progressive vs conservative culture. This shift in voters' identities has changed their beliefs and the issues over which they are polarized, in turn inducing the competitive party system to adapt. We offer a new framework to analyze these demand-supply interaction, and obtain new predictions, which we test.

We start with some motivating evidence from a new survey of 3000 US individuals. The bulk of our respondents identifies with a cultural group (defined by race, religion, etc.) rather than an economic group, more so now than in the past. Consistent with our approach, these non-economic identity groups align along an underlying divide between a conservative vs a progressive culture, which is associated with polarized beliefs and policy preferences, and with how people vote.

Next, we turn to the theory. On the demand side, following BGT (2021), voters identify in the dimension – economic or cultural – where ingroup vs outgroup conflict is more salient. Identity, in turn, distorts beliefs toward the ingroup stereotype, amplifying polarization. On the supply side, two vote-maximizing parties announce policy platforms ahead of the elections. They also engage in costly propaganda, that affects voters' beliefs by boosting or dampening group stereotypes. As in Lipset and Rokkan (1967), parties are linked to specific social groups. We model this idea with the assumption that voters have more trust in the policy promises of the party linked to their group, and pay more attention to its propaganda. For instance, the right-wing party, that traditionally represented business interests and conservative social groups, is less trusted by lower-class and progressive voters. This leads to policy divergence, and implies that propaganda has asymmetric effects across social groups.

Suppose now that cultural conflict becomes more salient compared to economic conflict, so that voters' identity switches from class to culture. This has three effects.

First, the dimension of voter and party polarization changes. Voters in opposite cultural groups polarize on social policy, voters in opposite income classes de-polarize over redistribution. Following these demand changes, parties diverge on cultural issues and converge on redistribution. Identity politics yields growing cultural conflict among voters and between parties, and dampens redistributive conflict.

Second, voters realign across parties. The cultural conservative lower-class turns to the right, the progressive upper-class to the left. Lower-class voters demand less redistribution and become more extreme in their cultural preferences, so the conservative among them are lured by the rightwing social policy platform. The opposite happens to upper-class and progressive voters. Class realignment is entirely due to the identity switch, which reduces redistributive conflict, and it would not occur in our model if voters were rational.

Third, party propaganda: i) switches from economic to cultural, and ii) aims to fuel voter polarization. The first result says that politicians tune their rhetoric to the salient group cleavage, because this is how voters form their beliefs. This also implies that, as identity switches to culture, propaganda uses categories such as universalism vs. communitarianism also in traditional economic domains like trade policy and redistribution. To explain the second result, consider a right-wing party message that “immigrants are criminals”. This cues conservatives to be more anti-immigrant, but also causes a progressive backlash. On net the party gains votes, however, because conservatives are more sensitive than progressives to right-wing propaganda. Thus, voter polarization and extremist political propaganda fuel each other.

Our premise, so far, is that cultural conflict has become more salient. But why? This could be due to a large inflow of immigrants (BGT 2021), or the election of a black president (Sides et al. 2018). The last part of the paper shows that international trade can also have this effect. The reason is that less educated workers, who tend to be culturally more conservative, are also more exposed to import competition from developing countries. Hence, lower trade barriers increase the salience of the educational and cultural divide and can lead to identity shifts. We derive this result theoretically, and study empirically the effects of the “China shock” (Autor et al. 2020). We show two new facts consistent with our predictions: (i) Voters in regions more exposed to the China shock have become more anti-immigrants (if religious) and demand less redistribution (if poor) than in the past. (ii) Congressmen in these regions have adopted a more conservative rhetoric, particularly if Republicans. Both facts predate Trump election in November 2016. Thus, endogenous identity can explain why an adverse economic shock can lead to less, rather than more, demand for redistribution and exerts far reaching political effects. As discussed by BGT

(2021), shocks induced by labor saving technologies can have similar effects, if they increase the skill premium.

We contribute to a growing literature on identity in politics. In Akerlof and Kranton (2000) identity creates a preference for complying with the behavior of an exogenous group. We link identity to beliefs and endogenize the group voters identify with. Shayo (2009) first applied identity to the politics of redistribution. In his pioneering paper, voters choose between opposite classes vs a common national identity, and are altruistic towards the identity ingroup. As identity shifts from class to the nation, the poor demand less redistribution because their ingroup is now richer. Helpman and Grossman (2020) adapt this approach to trade policy, Sambanis and Shayo (2013) to ethnic conflict. Our innovation is to view identity as shaping beliefs, and to study the choice between opposite class vs opposite cultural identities. This is important to explain the growth of cultural conflict and observed political realignments. Shayo (2020) surveys recent contributions Nouri and Roland (2021) survey work on identity and populism. Glaeser et al. (2005), Murphy and Shleifer (2004) and Grossman and Helpman (2022) study how party links with different social groups can yield platform divergence and a role for persuasion. Compared to these papers, our approach links persuasion to identity, and helps explain why voters often hold distorted factual beliefs (Alesina et al. 2023, Kahan 2015). Esteban and Ray (2008) study endogenous political alliances along class vs ethnic dimensions, but they disregard social identities.

Enke et al. (2021), like us, attribute voters' realignment to their changing preferences. In their model, voters care more about social policy as they get richer. This does not explain increased cultural polarization, however, nor why voters hit by trade shocks demand less redistribution. Kuziemko and Washington (2018) and Schickler (2016) study voting realignment of the past. An open issue is whether identity shifts can help explain these historical episodes.

The paper is organized as follows. Section 2 presents our new survey evidence. Section 3 describes our model of the economy and of the political system. Section 4 illustrates how we formalize social identity and derives our main results on the political effects of identity shifts. Section 5 studies and tests the effects of trade shocks. Section 6 concludes. Unless noted otherwise, proofs are in the Appendix.

2 Evidence on Identity and Beliefs

At the heart of our approach is the idea that "identity politics" – the growing political importance of religious, racial, place-based divisions – reflects and reverberates into a deeper conflict between conservative and progressive values over a broad range of issues, "cultural conflict" for short. To assess this basic premise, in February/March 2022 we ran a new survey of 3000 US subjects, representative of the US population along many demographics.¹ To measure identity we ask: "We have interviewed many people in the US and they all have described themselves in different ways. Some people describe themselves in terms of their religion, others in terms of their race, others in terms of their economic situation, etc. What defines your identity, first and foremost? Please select only one of the following: my religion, my being secular, my race, my local community, my being a citizen of the world, my cultural traditions, my progressive culture, my economic class (working, middle, upper)". We define as cultural progressive those who identify as "black", "secular", "citizen of the world" or "progressive culture". We define as cultural conservative those who identify as "white", "christian and protestant religion", "local community", or "traditional culture". The answer to this question allows us to assess the relative importance of class divisions, and which non-class identity (aka "cultural") group people feel closest to. Next, we elicit policy views and beliefs about facts on redistribution and social policy.²

At the end of the survey, subjects report whether they are Democrat, Republican or Independent. If the answer is "Democrat" or "Republican", they are asked whether they primarily identify with their party or with the previously chosen cultural group

¹The main discrepancies are that our respondents are poorer, more educated and white than the US population, see Supplemental Appendix (Gennaioli and Tabellini (2024)) Table A.1. The survey was run on the Lucid platform with some attention checks, stratified by race, gender, age, income, education and region, and approved by Bocconi University ethics committee.

²The style of the identity question is borrowed from Afrobarometer. We force people to pick one group because we are interested in measuring which group people feel closest to and howr this correlates with policy views. The policy questions are as follows. On redistribution, we ask whether the government should: i) provide more services (even if it entails higher taxes), ii) support people's standard of living, and iii) levy an estate tax. We also ask factual questions on income inequality and social mobility. On social policy, we elicit preferences on gender affirmative actions, immigration and abortion, and factual beliefs about racial discrimination in the workplace, cimes by immigrants in the past 12 months, and abortion. The questionnaire is in the Supplemental Appendix (Gennaioli and Tabellini (2024)).

or class. For these respondents, identity is determined at this point. Partisanship is measured at the end to avoid cueing party positions when answering policy questions. We then ask respondents whether their identity has remained stable over time, and how they identified in the past. Finally, we ask how they voted in 2020 and 2016.

2.1 Key Facts

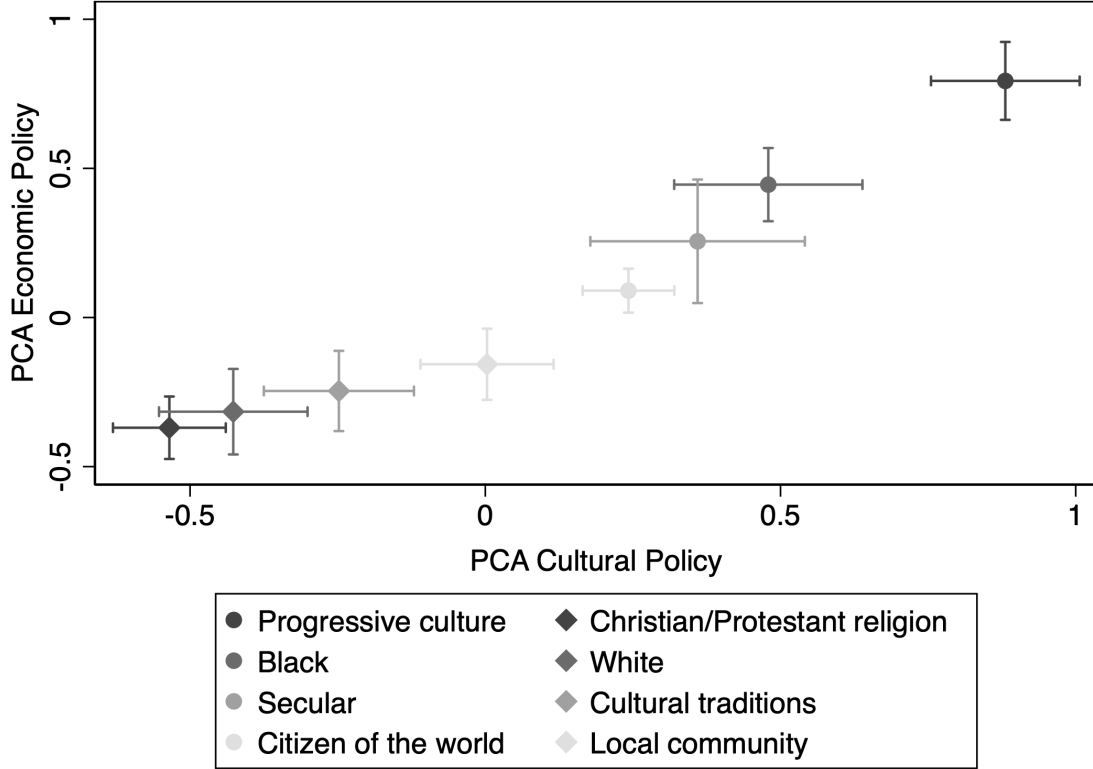
The survey unveils three main findings, illustrated in Table I and Figure 3. First, only one third of respondents identify with parties or classes (in similar shares), while cultural identities are dominant. Interesting, well over half of those who in the past had an economic or political identity now identify with a cultural group (Supplemental Appendix (Gennaioli and Tabellini (2024)) Table A.2).

Table I. Average Policy Views and Beliefs by Group

Identity	Percentage	Average Economic policy views	Average Cultural Policy views	Average Economic beliefs	Average Cultural beliefs	Share Voted Republican	Share Voted Democrat
<i>Conservative</i>	36.75	-0.28 (0.03)	-0.33 (0.03)	-0.07 (0.03)	-0.12 (0.03)	0.45	0.36
<i>Progressive</i>	31.86	0.28 (0.03)	0.40 (0.03)	0.08 (0.03)	0.21 (0.03)	0.17	0.53
Difference	(P.value):	0.00	0.00	0.00	0.00		
<i>Upper Class</i>	3.34	-0.17 (0.10)	0.05 (0.09)	-0.02 (0.11)	0.01 (0.11)	0.38	0.44
<i>Lower Class</i>	11.49	0.03 (0.06)	0.00 (0.05)	0.19 (0.05)	0.09 (0.05)	0.29	0.41
Difference	(P.value):	0.09	0.64	0.07	0.46		
<i>Republican</i>	7.18	-0.72 (0.08)	-0.81 (0.06)	-0.10 (0.07)	-0.39 (0.07)	0.91	0.02
<i>Democrat</i>	9.39	0.52 (0.05)	0.61 (0.05)	0.14 (0.07)	0.29 (0.07)	0.02	0.93
Difference	(P.value):	0.00	0.00	0.02	0.00		

Notes: the table shows average values by group of indexes measuring progressiveness in economic and cultural stances. Standard errors of each variable for each identity group are reported in parentheses. In order to build the index, each question related to the topic of the index is coded such that a higher value indicates a more progressive stance. The index is then constructed by taking the first polychoric principal component of these questions. The final version of the index is standardized to take zero mean and unit standard deviation. The economic policy views index collapses questions about government services, the government's role in providing jobs and adequate standards of living, and estate tax. The economic belief index includes questions about income inequality and social mobility. For cultural policy views, questions about abortion, immigration and affirmative action are selected. For the cultural beliefs index, questions about differential wages by race, immigration and crime, as well as on the number of abortions every year are included. The last two columns report, for each identity group, the share of individuals who voted republican or democratic at the 2020 presidential election. The *Difference* rows report the p-values from t-tests of the difference between the average values by group being equal to zero. Each *Difference* row refers to the difference between the two groups reported above.

Figure 3. Average Policy Preferences by Cultural Subgroups



Notes: The figure plots average values of views over cultural and economic policies (columns 3 and 4 of Table I), by cultural subgroups. 95% confidence intervals are also reported.

Second, different cultural identities locate along a conservative-progressive divide over a range of social as well as economic policies. To reduce measurement error, we extract the first principal component of policy views and factual beliefs. Higher values correspond to more progressive attitudes. Table I reports the average magnitudes by broad identity groups, while Figure 3 zooms in on the cultural subgroup, plotting the average policy preferences of each of them. Respondents who identify with their religion, local community, cultural traditions and white race are culturally and economically more conservative than those who identify with being secular, citizen of the world, black race and with having progressive values. Some groups are more extreme than others, but there is a broad alignment of these identities with a general cultural fracture, which we call cultural identity, progressive vs conservative. Disagreement

concerns both factual beliefs and policy preferences. For instance, cultural conservatives are not only less open to immigration, they also believe that immigrants commit more crimes, compared to progressives. Importantly, cultural divisions are stronger and more comprehensive than class divisions: people with opposite class identities only disagree on economics (since few people declare an economic identity, estimates are less precise), suggesting an association between cultural identity and political polarization.

The third and final finding is that identity is associated with voting. Those identified as cultural conservatives and with the upper class disproportionately voted Republican in 2020, while those identified as progressives and lower class more likely voted Democrat. This is robust to controlling both for a voter’s demographics and for its vote in 2016 (see the Supplemental Appendix (Gennaioli and Tabellini (2024)), Table A.3). Identity is an important correlate of political behavior.

Overall, and despite a plurality of potential identities, these facts are consistent with a two-dimensional framework, where individuals can identify with a cultural group (progressive vs conservative) or with an economic group (upper vs lower class). The rest of the paper relies on this simplifying abstraction to explore the political implications of switching identities from the economic to the cultural domain.

3 The Model

Here we describe voters’ preferences and the political system. Social identity is introduced in the next section.

Policy Instruments and Voter Types A social policy q captures value-laden issues such as civil rights, race relations, immigration. Larger q is a more liberal policy. A proportional income tax $\tau \geq 0$ finances a public good g . It entails quadratic distortions $-\frac{1}{2}\tau^2$ that reduce aggregate income.

Voters are uncertain about these policies. Preferences over q follow the quadratic loss $\frac{1}{2} \left(q - \tilde{\psi} \right)^2$. The voter’s ideal policy $\tilde{\psi}$ is random, which reflects uncertainty over factual judgments (how many immigrants commit crimes?) and value judgments (what are the social benefits of diversity?). It has Gaussian density $z^j \left(\tilde{\psi} \right) =$

$z(\tilde{\psi}|\psi^j)$ with voter specific mean ψ^j and unit variance. Higher ψ^j means that the voter is more socially progressive, she prefers higher q .

Preferences over τ depend on a voter's tax burden and on her taste for the public good. Tax burden is uncertain because future income $1 + \tilde{\varepsilon}$ is subject to shocks, whose Gaussian density $z^i(\tilde{\varepsilon}) = z(\tilde{\varepsilon}|\varepsilon^i)$ has voter-specific mean ε^i and unit variance. A voter with higher expected income ε^i bears a higher expected tax burden.

Finally, the value of the public good, \tilde{v} , is also uncertain (e.g. does public spending reward “hard-workers or free riders”? Can the government be trusted?) and Gaussian, with mean $\nu^j = \nu + \beta\psi^j$, $\nu > 1$, and unit variance. $\beta \in [0, 1]$ connects preferences over redistribution and social policy. Due to cultural traits such as distrust of strangers, conservative voters dislike immigrants (low ψ^j) but also universal transfers that may benefit them (low ν^j) - cf. Enke et al. (2022).

A voter type ij is thus summarized by the income-culture profile (ε^i, ψ^j) . There are two cultural types: Progressive P , and Conservative C , with $\psi^P = \psi$ and $\psi^C = -\psi$. Higher $\psi > 0$ implies more cultural disagreement. There are two economic types: Upper class U and Lower class L , with $\varepsilon^U = \varepsilon$ and $\varepsilon^L = -\varepsilon$, where $\varepsilon > 0$ captures economic inequality. The population is equally split into four types: upper class and progressive $ij = UP$, upper class and conservative $ij = UC$, lower class and progressive $ij = LP$, lower class and conservative $ij = LC$. The average upper (resp. lower) class voter is culturally neutral, with traits $(\varepsilon, 0)$ (resp. $(-\varepsilon, 0)$). The average conservative (resp. progressive) voter is economically neutral, with traits $(0, -\psi)$ (resp. $(0, \psi)$). Zero correlation between income and culture simplifies the model, but our results obtain more generally (see BGT 2021).

Since ε^i has zero mean in the population, aggregate income gross of tax distortions is 1 and the quantity of g is equal to the tax rate τ . The rational expected utility of voter (ε^i, ψ^j) is, up to an additive constant:

$$W^{ij}(\tau, q) = (1 + \varepsilon^i)(1 - \tau) - \frac{1}{2}\tau^2 + (\nu + \beta\psi^j)\tau - \frac{\kappa}{2}(q - \psi^j)^2, \quad (1)$$

where $\kappa > 0$ captures the weight attached to social policy q . Neglecting non-negativity constraints, the rational bliss point of voter ij is equal to:

$$\tau^{ij} = (\nu + \beta\psi^j) - (1 + \varepsilon^i), \quad q^{ij} = \psi^j. \quad (2)$$

More progressive voters, higher ψ^j , demand more redistribution, higher τ , and a more liberal social policy, higher q . Richer voters, higher ε^i , demand less redistribution, lower τ , because of their greater tax burden. We assume that $\varepsilon > \beta\psi$, which implies that class has a stronger influence on tax preferences than culture. Average welfare is maximized at $\tau^\circ = \nu - 1$, and $q^\circ = 0$.³

The Political System Two parties, left D and right R , seek to maximize their vote share by simultaneously announcing policy platforms $Y_p = (\tau_p, q_p)$, $p = D, R$. Parties are historically connected to groups standing on opposite sides of major cleavages (Lipset and Rokkan 1967). Connections could reflect the intermediation of social organizations such as the church, trade unions or business groups. Party R is connected to the upper class and to social conservatives, party D is connected to the lower class and to social progressives. Connections foster trust and attention, so voters not connected to a party do not fully trust it or do not pay full attention to its policy promises. The voters not connected to party R are neither upper class nor conservative, so they are the lower class and progressive types, $ij = LP$. Voters not connected to party D are the upper class and conservative types, $ij = UC$. A measure $0 < \alpha < 1/4$ of voters not connected to party p does not believe its policy promises. Such promises are believed by all other voters. We refer to the non-connected voters or party p as the core voters of its opponent, $\bar{p} \neq p$.⁴

We assume probabilistic voting. Let $W^{ij}(\hat{Y}_p^{ij})$ denote the expected welfare of voter ij if party p wins the election, with \hat{Y}_p^{ij} being the policy vector that voter ij expects if party p wins. Then, voter k of type ij votes for R if and only if:

$$W^{ij}(\hat{Y}_R^{ij}) - W^{ij}(\hat{Y}_D^{ij}) \geq \tilde{\delta}^k \quad (3)$$

where $\tilde{\delta}^k$ is a voter-specific i.i.d. popularity shock favoring party D . It is uniformly distributed with mean 0 and density Φ . Hence, party p 's vote share in type ij is

$$\pi_p^{ij} = 0.5 + \Phi \left[W^{ij}(\hat{Y}_p^{ij}) - W^{ij}(\hat{Y}_{\bar{p}}^{ij}) \right], \quad (4)$$

³Preferred tax rates in $(0, 1)$ requires $v \in (1 + \beta\psi + \varepsilon, 2 - \beta\psi - \varepsilon)$, which is non empty for $\beta\psi + \varepsilon < 1/2$.

⁴The assumption that some voter types are asymmetrically informed about party promises is also made in different contexts by Glaeser et al. (2005) and Matejka and Tabellini (2021).

where Φ is small enough that equilibrium vote shares within each type are interior, $1 > \pi_{\iota p}^{ij} > 0$ for all p, ij and ι . The overall vote share of party p is $\pi_p = \frac{1}{4} \sum_{ij} \pi_p^{ij}$.

Political Equilibrium Consider party D . A measure α of the upper class and conservative voters does not believe D 's announcements, instead expecting the equilibrium platform, Y_D^* , whatever D announces. Thus in equilibrium D maximizes the welfare of trusting voters:

$$Y_D^* = \arg \max_{Y_D} \frac{1}{4} \sum_{ij} W^{ij}(Y_D) - \alpha W^{UC}(Y_D). \quad (5)$$

An analogous expression describes policy choice by R .

The equilibrium has two intuitive properties. First, there is policy divergence: the equilibrium platform of D is economically and socially more liberal than that of R , $q_R^* < q^\circ < q_D^*$ and $\tau_R^* < \tau^\circ < \tau_D^*$. Second, although in equilibrium party D and R obtain the same vote share of $1/2$, they are supported by a majority of their core voters, $\pi_{\iota R}^{*UC} > 1/2 > \pi_{\iota R}^{*LP}$. Party D is economically and socially more liberal than R because it does not fully internalize the demands of the upper class and conservative core voters, and viceversa for party R . This in turn leads core voters to predominantly vote for their party.⁵

4 Political Effects of Social Identity

We study how endogenous social identity shapes voters' opinions and the dimensions of political polarization on the demand and supply sides.

4.1 Identity Determination

According to social identity theory, a voter has several potential identities, defined by occupation, religion, race, etc.. In our setup, she can identify with her class, $i = U, L$, or cultural group, $j = C, P$. We denote the identity group of voter ij by $\iota(ij) = i, j$ - often we just use ι for convenience.

⁵To derive these results, set parameter $\theta = 0$ in the proofs of Propositions 3 and 4 that follow.

The voter identifies with the group that is most salient and to which she feels more similar. Based on social psychology, we formalize the salience of ingroup ι by its policy conflict with outgroup $-\iota$, measured by the welfare loss born by the average ingroup when moving from her ideal policy (τ^ι, q^ι) to the ideal policy of the average outgroup $(\tau^{-\iota}, q^{-\iota})$. Using (1) the salience of ι is equal to:

$$\Delta(\iota, -\iota) = W^\iota(\tau^\iota, q^\iota) - W^\iota(\tau^{-\iota}, q^{-\iota}) = \frac{\kappa}{2} (q^\iota - q^{-\iota})^2 + \frac{1}{2} (\tau^\iota - \tau^{-\iota})^2, \quad (6)$$

which increases in ingroup-outgroup disagreement. We capture similarity between voter ij and ι by the negative of her policy conflict with the average ingroup, $\Delta^{ij}(\iota) = \frac{\kappa}{2} (q^{ij} - q^\iota)^2 + \frac{1}{2} (\tau^{ij} - \tau^\iota)^2$.

Voter ij identifies with the most salient ingroup ι , economic or cultural, provided she feels similar enough to it. Formally, she solves:

$$\iota(ij) = \arg \max_{\iota \in \{i,j\}} \Delta(\iota, -\iota) - \lambda \Delta^{ij}(\iota), \quad (7)$$

where $\lambda \geq 0$ is the relative weight attached to similarity. An “identity regime” is a configuration $\iota(ij)$ for all types.

Proposition 1 *If $\psi^2(\kappa + \beta^2) \geq \varepsilon^2$ all voters identify with their cultural group, $\iota(ij) = j \in \{C, P\}$. Else they identify with their economic class, $\iota(ij) = i \in \{L, U\}$.*

Due to the model’s symmetry, all voters have the same identity, economic or cultural. Cultural identity occurs if cultural disagreement is large compared to inequality, ψ/ε is high, or if social policy is important compared to redistribution, κ is large. Stronger influence of culture on the value of the public good, β , favors cultural identity: it makes cultural disagreement more relevant for taxes.

Parameter changes cause identity switches. Suppose that voters identify with their class. If the importance κ of social policy rises, due say to a large inflow of immigrants or to episodes of racial discrimination, cultural conflict becomes salient, triggering a switch from economic to cultural identity. The same effect arises if cultural disagreement ψ increases, due for instance to growing inequality in education. If income inequality ε increases, class identity is instead favored.

These results do not unequivocally support the notion that conditions have become more favorable to cultural identity: although the relevance and intensity of cultural conflict has increased, as discussed below, so has inequality. But in section 5 we show that economic shocks induced by globalization can have a surprising effect: if they hit different cultural groups asymmetrically, e.g. they mostly hurt conservative voters, they foster cultural identity.

4.2 Identity and Voters' Polarization

In social psychology, identity distorts beliefs through “depersonalization”: the voter moves her opinions toward those that are stereotypical of the ingroup, namely that are more frequent in the average ingroup $(\varepsilon^\iota, \psi^\iota)$ compared to outgroup $(\varepsilon^{-\iota}, \psi^{-\iota})$, where $-\iota$ are all voters not in ι . Following BGT (2021), the belief $z_\iota^{ij}(\tilde{y})$ of voter ij about income or culture $\tilde{y} = \tilde{\varepsilon}, \tilde{\psi}$ when identified with ingroup ι is:

$$z_\iota^{ij}(\tilde{y}) \propto z^{ij}(\tilde{y}) \left[\frac{z_\iota^\iota(\tilde{y})}{z_{-\iota}^{-\iota}(\tilde{y})} \right]^{\chi_\iota}, \quad (8)$$

where $z_\iota^\iota(\tilde{y})$ are the stereotyped beliefs held by the voter's average ingroup, $z_{-\iota}^{-\iota}(\tilde{y})$ those of her average outgroup, and $\chi_\iota \geq 0$ captures the strength of stereotyping. For now $\chi_\iota = \chi$ for all groups. In Subsection 4.4 χ_ι is determined by political propaganda.

Beliefs are determined by a fixed point, because the beliefs of average ingroups and outgroups - the drivers of stereotypes - are determined together. The Appendix proves that, if $\chi < 1/2$, there is a unique and stable equilibrium, in which the beliefs of voter ij when she identifies with group ι are:

$$y_\iota^{ij} = y^{ij} + \theta (y^\iota - y^{-\iota}) \quad \text{for } y = \varepsilon, \psi \text{ and } \iota = i, j \quad (9)$$

where $\theta \equiv \frac{\chi}{1-2\chi}$.⁶ This in turn feeds into policy preferences. By (2), the bliss points

⁶Equation (8) implicitly assumes that, when forming his stereotyped belief associated with identity ι , the voter perceives members of the outgroup $-\iota$ as being also identified with the latter. This assumption is immaterial here because all voters identify either along income or culture, but it has bite in Section 5, where identity need not be the same for all voter types.

of voter ij identified with group ι are:

$$\tau_\iota^{ij} = \tau^{ij} + \beta\theta(\psi^\iota - \psi^{-\iota}) - \theta(\varepsilon^\iota - \varepsilon^{-\iota}), \quad (10)$$

$$q_\iota^{ij} = q^{ij} + \theta(\psi^\iota - \psi^{-\iota}). \quad (11)$$

If $\theta > 0$, identity makes beliefs and policy preferences more extreme in the direction of ingroup-outgroup disagreement ($y^\iota - y^{-\iota}$), the more so the greater is θ . Consider a conservative lower class voter, $ij = LC$, identified with her lower class, $\iota = L$. She is too pessimistic about her income, for low income is distinctive of her ingroup: $\varepsilon_L^L = \varepsilon^L + \theta(\varepsilon^L - \varepsilon^U) = -(1 + 2\theta)\varepsilon$. But her cultural beliefs and policy preferences are undistorted, since there are no cultural differences across classes. Thus, she overestimates the benefit of higher taxes, relative to a rational voter: $\tau_L^{LC} > \tau^{LC}$.⁷

Suppose now that the importance κ of social policy rises. If this causes the voter's identity to switch to her conservative ingroups, $\iota = C$, her beliefs change in two ways. First, she becomes more conservative, because this trait is now distinctive of her ingroup: $\psi_C^{LC} = -(1 + 2\theta)\psi$. Thus, she demands a more conservative social policy: $q_C^{LC} < q_L^{LC}$. Second, her economic beliefs become non-distorted ($\varepsilon_C^{LC} = -\varepsilon$) because income does not vary between cultural groups. For both reasons, she now demands less redistribution: $\tau_C^{LC} < \tau_L^{LC}$ - recall that conservative voters value the public good less.

These differences in beliefs and policy preferences between identity groups are consistent with the evidence of Section 2. They imply that a shift from class to cultural identity changes the dimension over which voters are polarized. Define disagreement over policy $x = q, \tau$ between two groups by the distance between the values of x preferred by their average voters.⁸ Recalling the assumption $\beta\psi < \varepsilon$ we obtain:

Proposition 2 *A rise in κ that changes identity from class to culture: (i) increases*

⁷In our model stereotypes only arise along the trait (income or culture) along which identity is defined. BGT (2021) consider a general setting in which income and social progressiveness are positively correlated. In this case, Upper class identity also causes some exaggeration of progressive views, because being progressive is also a distinct feature of the Upper class (as opposed to the Lower class). However, this exaggeration is weaker than under cultural identity. Our main results hold if we allow for this effect as long a correlation among traits is imperfect.

⁸Eg., the tax preferred by the average lower class when culturally identified is $(\tau_C^{LC} + \tau_P^{LP})/2$, etc.

disagreement over q and τ between the opposite cultural groups P and C ; (ii) reduces disagreement over τ between the opposite economic classes L and U ; (iii) increases the variance of preferred q and decreases the variance of preferred τ over the entire population. These effects are stronger the higher is θ , and are absent if $\theta = 0$.

This result echoes the demand side analysis in BGT (2021), who also show empirically that polarization of US voters has indeed changed in this way after 2008. During the same period, US voters also perceive race and immigration as more important problems than before, consistent with an increase in κ , the trigger for an identity switch in this model.⁹

4.3 Party Divergence and Voters' Realignment

By changing voters' demands, identity also affects party platforms and how voters sort across parties. Suppose that voters' identities are formed ahead of the elections and are known to (and taken as given by) the parties when they announce policy platforms. Repeating the steps of section 3, but with voters beliefs distorted by identity, we have:

Proposition 3 *An increase in κ that changes identity from class to culture increases platform divergence between party R and party D over q , and reduces it over τ , the more so the larger is θ . If $\theta = 0$, platforms do not change with κ .*

Within an identity regime, higher $\theta > 0$ increases policy divergence over at least one instrument because it causes the core voters of each party to hold more extreme beliefs, either culturally or economically. A switch from class to cultural identity increases disagreement between conservative and progressive voters, so it polarizes party platforms over q . By reducing disagreement on redistribution between lower and upper class voters, the same switch also reduces platform divergence over τ .

Consistent with the evidence, then, a switch to cultural identity changes the dimensions of party polarization. Using voting behavior and opinion surveys of US

⁹In a rational model, one way to account for growing cultural polarization is to assume that cultural disagreement ψ has increased. This would imply that polarization over redistribution also increases, but we do not see it in the data. BGT (2021) discuss another implication of an identity shift from class to culture, also consistent with survey evidence, increased correlation in voters' preferences over q and τ , for which there are no parsimonious alternative explanations.

congressmen, Moskowitz et al. (2018) show that, in recent decades, Republicans and Democrats representatives became more polarized on cultural, not on economic, issues. A switch to cultural identity can thus rationalize observed changes in party positions that remain unexplained in pure supply side explanations, and that occurred in several countries.

Next, consider how voters sort across parties:

Proposition 4 *If κ increases, party R gains conservative votes and loses progressive votes in all economic classes, irrespective of identity. This effect is larger under cultural identity, the more so the greater is θ . If the rise in κ makes identity shift from class to culture, party R also gains lower class votes and loses upper class votes.*

Higher κ always boosts sorting of voters by their culture: some conservative voters move to R , some progressive voters move to D . When social policy is more important, conservatives find the restrictive q supplied by R more appealing, and vice-versa for progressives. This is true even if $\theta = 0$ (i.e. with rational voters), but if $\theta > 0$ a switch to cultural identity amplifies the realignment of cultural groups because it enhances voter disagreement and party divergence over q .

If $\theta = 0$, however, higher κ does not cause a class realignment. Since conservative (resp. progressive) voters are equally present in both classes, parties' class composition remains stable as κ rises. This is no longer true if higher κ causes identity to switch from class to culture, and $\theta > 0$. In this case, conservative lower class voters move toward R , and progressive upper class toward D . The reason is that the identity switch depolarizes class conflict, reducing voter extremism about redistribution. Lower class conservatives who voted for D now find a fiscally restrictive platform less disturbing, so they switch to R , and conversely for the upper class progressives.

This implication is consistent with the evidence in Figure 2. Similarly, Sides et al. (2018) show that, after 2008, ethnic minorities and people with favorable attitudes toward them became more likely to support the Democratic party, while the opposite happened for white voters with negative views on minorities. At the same time, measures of economic anxiety became uncorrelated with how people vote. They argue that this was due to the election of a black president, which made race politically more salient. We return to this point in the conclusions.

Some recent papers seek to explain voter realignments as a rational response to exogenous changes in political supply (Kuziemko et al. 2022), or in voters’ composition (Kitschelt and Rehm 2019). Our mechanism also explains why political supply changed, and offers a unified explanation of changes in the dimension of polarization in the electorate, in party platforms, and in how voters sort between parties. The driver of all these changes is a higher salience of cultural issues, that triggered an identity shift. But our mechanism has a key new implication: upon switching to cultural identity, the same lower class voter demands less redistribution and becomes culturally more extreme. Section 5 offers evidence in line with this prediction.

4.4 Political Propaganda and Extremism

Thus far, we assumed that when shocks hit, voters’ beliefs change spontaneously. In reality, political propaganda plays an important role. In the heyday of class conflict, communist leaders appealed to blue-collar identity by stationing in front of industrial plants. Today, right-wing leaders appeal to conservative identity by deploying religious symbols and rituals. By mobilizing identities, politicians can polarize voters using “us vs. them” rhetoric. We now study such mechanism, asking two questions. Does optimal propaganda enhance or dampen voters’ polarization? What are the consequences of identity switches in this context? We continue to assume that parties take identity as given.¹⁰

Political Persuasion Equation (8) describes how identified voters overweight distinctive ingroup beliefs by parameter χ_i . We formalize party propaganda as costly effort to change χ_i for the group to which the party is connected. Party R is connected to conservative (C) and upper class (U) groups, so it affects χ_C and χ_U (which one depends on voters’ identity). Party D is connected to the opposite groups, so it affects χ_P and χ_L .¹¹

Suppose that identity is cultural. As shown in the appendix, beliefs continue to

¹⁰Politicians could induce identity shifts by making some conflicts more or less salient (e.g. by changing κ), but we leave this to future research.

¹¹The assumption that persuasion by a party influences the voters aligned with it is consistent with the evidence in Ansolabehere and Iyengar (1995) and Chang (2003).

fulfill Equation (9), but with group-specific distortion parameters:

$$\theta^C = \left(\frac{\chi_C}{1 - \chi_C - \chi_P} \right), \quad \theta^P = \left(\frac{\chi_P}{1 - \chi_P - \chi_C} \right). \quad (12)$$

If party R increases χ_C , for instance by cueing the stereotype that all immigrants are criminals, conservative beliefs become more extreme in two ways: directly, by weighting this conservative stereotype more (higher χ_C in the numerator of θ^C); indirectly, as the equilibrium conservative stereotype becomes more extreme (higher χ_C in the denominator of θ^C). This change in beliefs benefits party R , since conservative voters become less likely to vote for party D . But higher χ_C also backfires, because it makes the progressive voters even more progressive (higher χ_C in the denominator of θ^P). When they see a more extreme conservative stereotype, highly progressive beliefs become even more stereotypical of P , enhancing P 's progressiveness. This logic highlights a political tradeoff: propaganda attaches connected voters to the party, but it also alienates non-connected voters.

Equilibrium To study this tradeoff, let a_{ip} denote propaganda effort of party p for its connected group i . Under cultural identity $\chi_C = \chi + a_{CR}$ and $\chi_P = \chi + a_{PD}$, while under class identity $\chi_U = \chi + a_{UR}$ and $\chi_L = \chi + a_{LD}$. Through propaganda, party p can either enhance ($a_{ip} > 0$) or dampen ($a_{ip} < 0$) stereotypes, relative to the baseline $\chi \geq 0$. If $\chi = 0$, voters' belief distortions are entirely due to propaganda. Propaganda entails an advertising cost $C(a) = c \cdot a^2/2$, where $c > 0$ is large enough to guarantee a unique and stable fixed point for beliefs, $0 < \chi_i < 1/2$.

Each party p chooses policies (q_p, τ_p) and propaganda a_{ip} , taking voters' identity and the choices of its opponent as given. Equilibrium platforms (q_p, τ_p) and voting patterns are as in Propositions 2 and 3, but now parameter θ is endogenous and could vary with identity. Let a_{ip}^* denote equilibrium propaganda by party p for its ingroup i . The Supplemental Appendix (Gennaioli and Tabellini (2024)) proves:

Proposition 5 *If the cost of propaganda is sufficiently convex (c is sufficiently large), there is a unique symmetric equilibrium in which parties enhance stereotypes. They spread class stereotypes $a_{LD}^* = a_{UR}^* > 0$ under class identity, and cultural stereotypes $a_{PD}^* = a_{CR}^* > 0$ under cultural identity. Propaganda increases in the share of*

distrusting core voters, α , in economic inequality, ε , and in cultural disagreement, ψ .

If κ increases so that identity switches from class to culture, propaganda and stereotypes switch from economic to cultural, and they both increase: $a_{PD}^* = a_{CR}^* > a_{LD}^* = a_{UR}^*$.

Parties engage in costly propaganda because it influences the beliefs of its ingroup voters more than those of outgroups. Thus, propaganda brings more votes than it alienates, giving parties an incentive to fuel extremism. This incentive is stronger the greater is party divergence, which creates a complementarity: more extreme parties lead to more extreme voters and vice-versa. Any parameter change that increases voters' extremism (higher ε, ψ or χ) or that increases party divergence (higher α) boosts propaganda, making voters even more extreme and parties even more divergent.¹²

When identity switches from class to culture, the content of propaganda changes, as in Figure 1. Political advertising focuses on culture rather than on economics (Panel A), and parties change their rhetoric over redistribution. The right opposes universal transfers not because they “expropriate the rich”, but because “they go to immigrants or politicians in Washington”, the left supports them based on principles of “fairness and justice”. This is consistent with growing divergence in the universalism of speeches (Panel B) and with growing distinctiveness of Republican vs Democratic speeches in cultural domains (Gentzkow et al. 2019).

In equilibrium, propaganda distorts beliefs even if voters have no spontaneous tendency to stereotype, $\chi = 0$, because it makes a new social cleavage more salient, producing stereotypes. But politicians cannot get voters to believe anything. To be persuasive, they must connect to a cleavage that is already top of voters' minds.

Consistent with this identity-based view of propaganda, Sides et al. (2018) show that, after the Trump presidential campaign of 2016 which focused on racial and immigration issues, Democratic and Republican supporters hold more divergent beliefs about race, immigration, Islamic religion. As in our model, propaganda exacerbates an existing cleavage and polarizes beliefs both by persuading ingroups and by causing a backlash of out-groups. For instance, a by-product of Trump statements on

¹²Persuasion is also stronger if baseline stereotyping χ is higher, because this too increases policy divergence, or if voters are more responsive to differences in policy platforms (Φ is higher), because persuasion has a larger effect on vote shares

immigrants was to reinforce Latino and Asian identities.¹³

5 Trade Shocks and Cultural Identity

We now show that trade shocks can cause a switch to cultural identity, if they exacerbate conflict between opposite cultural groups. As shown by Autor et al (2020), the “China shock” benefited the Republican party. We develop additional implications of this shock in our framework, and show that they are consistent with the evidence.

5.1 Import exposure and social identity

Import Exposure A small open economy consists of several districts indexed by z . In each districts there are two sectors, export x and import m , with international prices 1 and p^* respectively. Thus, we neglect terms of trade effects. Voters earn their taxable income $1 + \varepsilon^i$ in the export sector. Distortionary taxes on this income finance a national public good g , and the national government also sets a social policy q . Except for the import sector, the model is the same as before.

The new assumption is that voters also earn non-taxable income from two units of labor that can be employed in either sector, with voter and district specific probability. Let η_z^{ij} be the probability that type ij in district z is employed in the import sector. Half districts are “non-exposed”, $z = n$. Here no voter earns import-sector income, $\eta_n^{ij} = 0$ for all ij . Half districts are “exposed”, $z = e$. Here conservative voters earn import sector income, with equal probabilities across classes, $\eta_e^{UC} = \eta_e^{LC} = \eta > 0$, while progressive voters do not, $\eta_e^{UP} = \eta_e^{LP} = 0$. Thus, aggregate domestic production of the imported good is $\eta/2$. As η rises, conservative voters in exposed districts are more exposed to imports. The positive correlation between conservatism and import exposure captures the idea that less skilled/educated workers are both more conservative (lower ψ^j) and more exposed to imports (higher η_z^{ij}).¹⁴

¹³In line with this, Nicholson (2011) shows that indicating that a controversial statement was backed by Presidents Obama makes Republican respondents more likely to disagree with it, and similarly for Democrats with statements backed by G. W. Bush. Similarly, a byproduct of Trump statements on immigrants was to reinforce Latino and Asian identities. These and several related findings are discussed in Sides et al. (2018), p.212-214.

¹⁴The assumptions that $\eta_z^{iP} = 0$ in all districts and that $\eta_z^{iC} = 0$ in non-exposed districts sim-

Voter ij in district z has utility:

$$u_z^{ij} = x_z^{ij} + U(m_z^{ij}) + vg - \frac{\kappa}{2}(q - \psi^j)^2,$$

where x_z^{ij} and m_z^{ij} denote private consumption of the exported and imported good. Utility from imports is quadratic $U(m) = -\frac{1}{2}(\varpi - m)^2$. To simplify, the value of the public good is the same for all voters ($\beta = 0$). The government sets an ad valorem tariff t that raises the domestic import price at $(1+t)p^*$, used to finance g along with the income tax τ . Thus, expected disposable income is

$$I_z^{ij}(\tau, t) = (1 + \varepsilon^i)(1 - \tau) - \tau^2/2 + 2[(1 - \eta_z^{ij}) + (1+t)p^*\eta_z^{ij}],$$

where the last term is expected income from the additional labor endowment, which varies across districts and cultural groups due to import exposure η_z^{ij} .

Taking the government budget constraint into account, the voter expected welfare function is:

$$W_z^{ij}(\tau, t, q) = I_z^{ij}(\tau, t) + S(t) + v(\tau + T(t)) - \frac{\kappa}{2}(q - \psi^j)^2.$$

where $T(t) = tp^*[\hat{m} - \eta/2]$ is aggregate tariff revenue expressed in terms of the export good, $\hat{m} = \varpi - (1+t)p^*$ is optimal consumption of m , and $S(t) = U(\hat{m}) - p^*(1+t)\hat{m}$.

With rational voters, preferences over q and τ are the same as in (2) (with $\beta = 0$), and the ideal tariff for voter ij in sector z is:

$$t_z^{ij} = \hat{t} + \frac{2\eta_z^{ij}}{p^*(2v-1)}, \quad (13)$$

Thus, higher exposure η_z^{ij} entails a higher ideal tariff.¹⁵

plify notation but entail no loss of generality as long as conservatives remain more exposed than progressives in the exposed districts.

¹⁵ $\hat{t} = \frac{(\varpi - p^*)(v-1) - v\eta/2}{p^*(2v-1)}$. We assume $(\varpi - p^*)(v-1) > \eta v/2$ to have $\hat{t} > 0$, and $\varpi - p^*(1+t) > \eta/2$ for all t to have positive tariff revenue. If progressive types were also exposed to import competition, the greater their exposure, the higher their preferred tariff.

Social Identity A voter continues to identify with her cultural or economic ingroup.¹⁶ Which of the two prevails is again determined by the tradeoff between group contrast, $\Delta(\iota, -\iota)$, vs dissimilarity from the ingroup, $\lambda\Delta_z^{ij}(\iota)$, as in (7), where λ is the relative weight on dissimilarity. But while groups are defined at the national level, conservative types differ across districts in their import exposure. Hence, dissimilarity of conservatives from their cultural group varies across districts, giving rise to heterogeneous identities. The Supplemental Appendix (Gennaioli and Tabellini (2024)) proves that a trade shock that increases import exposure, η , affects identity as follows:

Proposition 6 *Suppose that $\varepsilon^2 > \kappa\psi^2$ and $\lambda > 4/3$. There is a threshold $\underline{\eta} > 0$ such that, if $\eta < \underline{\eta}$, all voters identify with their class, while if $\eta > \underline{\eta}$, conservatives in exposed districts switch to cultural identity. Conservatives in non-exposed districts are always class identified. The identity of progressives depends on η , but it is the same in all districts.*

Greater import exposure increases the salience of cultural conflict, because it heightens conflict over trade policy between conservatives vs progressives. Opposite classes are instead equally exposed to trade. Crucially, the effect on identity varies across space: conservatives demand a restrictive trade policy only in exposed districts. As η rises, they feel more similar to the average conservative ingroup, who also demands more protection, than to their class. The opposite happens in non-exposed districts, where conservatives do not lose from trade. Here, higher η makes non-exposed conservatives less similar to their cultural group. Thus, conservatives switch to cultural identity only in the exposed districts.

This heterogeneous identity switch produces our diff-in-diff predictions. We do not discuss what happens to progressives, because their identity does not vary across districts. For the same reason, we neglect other drivers of cultural identity, like changes in κ , that have uniform effects across districts.¹⁷

¹⁶In a previous version we also allowed voters to identify along a third dimension, as supporters vs opponent of trade protection. This is akin to identify with one's own district. Our main results continue to hold provided exposed districts are on average more conservative than non exposed ones. If so, voters who identify as losers from trade also become more culturally conservative and less class polarized, giving the predictions that we empirically test below.

¹⁷Progressive voters also switch to cultural identity if $\eta > \bar{\eta}$ ($> \underline{\eta}$), but they do so uniformly

Predictions Our first prediction concerns the effect of trade shocks on voters' demand for social policy q and redistribution τ . Under rationality, these are unaffected by η . Denote by $\Delta\tau_z$ and Δq_z the change in the average demand for redistribution and social policy in district z , and by $\Delta\tau_z^\iota$ and Δq_z^ι the change in policy demands in the same district but only within group ι . The Supplemental Appendix (Gennaioli and Tabellini (2024)) proves:

Prediction 1 (*Voters' Demand*) *A trade shock, higher η , causing some voters to switch to cultural identity affects exposed vs. non-exposed districts as follows:*

1) *Conservative voters demand more conservative social policies, $\Delta q_e^C < \Delta q_n^C$, progressive voters are unaffected, $\Delta q_e^P = \Delta q_n^P$. Thus, average demand for progressive social policies drops, $\Delta q_e < \Delta q_n$.*

2) *The demand for redistribution drops for the lower class, $\Delta\tau_e^L < \Delta\tau_n^L$, and rises for the upper class, $\Delta\tau_e^U > \Delta\tau_n^U$, leaving average demand for redistribution unchanged.*

The heterogeneous response of districts mimics our predictions in Section 4, except that it only concerns conservative voters. As exposed conservatives switch to cultural identity, they demand a more restrictive social policy, so on average desired q in the district decreases, compared to non-exposed districts where identity does not change. The identity switch also de-polarizes redistributive conflict in the exposed (relative to non-exposed) districts, because exposed conservatives move away from their class. Given our assumptions (equal size of upper and lower classes and $\beta = 0$), the overall demand for redistribution does not change, but it would drop in exposed districts if the lower class was larger than the upper class.

Our second prediction concerns political supply. Suppose that each district elects a representative. There are two parties, $p = D, R$, each fielding a candidate in each district, who is fully trusted by only some voters, as in the previous sections. Candidates maximize their vote share in their district.¹⁸ They announce a platform, $(q_{zp}, \tau_{zp}, t_{zp})$

across districts, since they have zero exposure in all districts. If progressives were also exposed to import competition, heterogeneity across localities would have opposite effects on conservatives and progressives, strengthening our predictions. If $\lambda < 4/3$, then also conservatives from non-exposed districts can switch to cultural identity provided trade exposure η is very large. In this case too, however, there are no diff-in-diff patterns.

¹⁸Although announcements refer to a national policy, they differ by districts because candidates maximize their vote share in the district. We assume that voters vote sincerely, neglecting strategic interactions between elected representatives in the national legislature. Thus, in each district voters trade off their perceived welfare under the announced policies against the idiosyncratic features of

and propaganda $a_{\iota zp}$ for each identity group ι of connected voters. With heterogeneous identities, a candidate may engage in both economic and cultural propaganda, at separable cost $C(a_{\iota zp}, a_{\iota' zp}) = \frac{c}{2} \cdot (a_{\iota zp}^2 + a_{\iota' zp}^2)$. The Supplemental Appendix (Genaioli and Tabellini (2024)) proves that, if c is sufficiently large, a trade shock has the following effects.

Prediction 2 (*Political supply*) *A rise in η that causes some voters to switch to cultural identity has the following effects in exposed relative to non-exposed districts:*

i) Candidates from both parties announce more conservative social policies, but especially party R candidates, so party divergence over q increases: $\Delta(q_{eD}^ - q_{eR}^*) > \Delta(q_{nD}^* - q_{nR}^*)$.*

ii) Party D candidates announce a less redistributive policy while party R candidates announce the same or a more redistributive one, so that divergence in τ decreases, $\Delta(\tau_{eD}^ - \tau_{eR}^*) < \Delta(\tau_{nD}^* - \tau_{nR}^*)$.¹⁹*

iii) Party R increases conservative propaganda and both parties decrease class propaganda.

When η increases, conservative voters in exposed districts switch from class to cultural identity. To attract them, both parties set more conservative platforms relative to non-exposed districts (recall that the identity of progressives is equally affected by η in all districts). The effect is stronger for party R , however, since only R is trusted by all conservative voters. Thus, platform divergence over q increases.

Party R does not change its redistributive policies in exposed relative to non-exposed districts, because the effect of the identity switch on the redistributive preferences of conservatives belonging to opposite economic classes exactly offset each other. Party D , on the other hand, is predominantly influenced by the reduced demand for redistribution of the lower-class conservatives, and hence pursues a less redistributive policy. Thus, party divergence over τ shrinks.

Finally, a similar effect holds for propaganda. Trade exposure changes its content: it reduces class rhetoric, which does not resonate with culturally identified voters, and boosts cultural rhetoric. Critically, the effect is asymmetric: R has a strong incentive to boost its conservative rhetoric in exposed districts because its connected voters are

each candidate, as in section 4. We do not characterize the equilibrium national policy.

¹⁹As shown in the appendix, $\Delta(\tau_{eR}^* - \tau_{nR}^*) = 0$ if η is such that progressive voters are culturally identified in all districts, while $\Delta(\tau_{eR}^* - \tau_{nR}^*) > 0$ if they are class identified in all districts.

now culturally identified. The effect on D is instead ambiguous.

5.2 Evidence

To test our diff-in-diff predictions, we follow Autor et al. (2020) and measure the trade shock as the change in Chinese import penetration, instrumented with the contemporaneous change in Chinese imports in eight other developed nations. Variation across US commuting zones (CZ), z , is due to differential local importance of import competing industries. We denote such measure by ΔIP_z . It proxies for the change in average exposure η_z in our model.²⁰

Who is more exposed? In our model, trade shocks favor cultural identity because they hurt cultural conservatives more than progressives. Our survey supports this assumption. We asked respondents whether they think that the economic losses (if any) borne by themselves or their peers are due to globalization and technology. As shown in Table II, respondents identified with a conservative cultural group hold globalization and technology more responsible for their economic losses than those identified as progressives. There is no tangible difference in attribution between respondents identified with upper vs lower classes.

These perceptions are also consistent with the demographics in the CCES survey used below to test Prediction 1. Respondents in CZs more exposed to the China shock are on average less educated and more religious, which correlates with being

²⁰Autor et al. (2013), which introduces the general methodology, measure the change in import exposure in each CZ between years t_1 and $t_2 > t_1$ by the average change in Chinese import penetration in the CZ's industries, weighted by each industry's share in the CZ initial employment. Thus, the change in import exposure in CZ z is defined as:

$$\Delta IP_z = \sum_{m \in M} \frac{L_{m,z,t_1}}{L_{z,t_1}} \times \frac{I_{m,t_2} - I_{m,t_1}}{Y_{m,91} + I_{m,91} - X_{m,91}} \quad (14)$$

where the first term in summation is the share of manufacturing industry m in *total* employment of CZ z while the second term is the increase in US imports from China of products typical of m , standardized by m 's market size in 1991 (i.e, prior to the boom in China's exports). Since the change in penetration is likely to be endogenous, imports are instrumented as in Acemoglu et al (2016), in a way similar to Autor et al (2013). The instrument is obtained by replacing $(I_{m,t_2} - I_{m,t_1})$ with $(I_{m,t_2}^W - I_{m,t_1}^W)$, namely the increase of Chinese imports in eight developed countries over the same period, and all the other terms in (14) with their values in 1988.

Table II. Respondents Holding Globalization Responsible for Economic Losses

Difference:	Conservatives – Progressives	Lower – Upper
<i>Globalization or new technologies are fully responsible for my economic losses</i>	0.07 (0.00)	-0.01 (0.00)
<i>Globalization or new technologies are fully responsible for others' economic losses</i>	0.04 (0.00)	-0.02 (0.00)

Notes: The table reports the difference of average beliefs about the economic losses caused by globalization and new technologies between Conservatives and Progressives and between respondents belonging to the Lower and Upper Class. In particular, higher values capture greater support in favour of the statement “Globalization or new technologies are fully responsible for my (resp. others’) economic losses”. Standard errors for each variable are reported in parentheses.

conservative. Their income is instead uncorrelated with imports exposure.²¹

Prediction 1: Changes in Voter Demands We study a panel of 9400 US respondents (15 per CZ) interviewed in the CCES survey between 2010-14. This enables us to test whether the opinions of the same respondent change upon a rise in import exposure, as predicted. Supplemental Appendix (Gennaioli and Tabellini (2024)) Tables A.4 and A.5 report key summary statistics at the CZ and individual level. A previous version obtained similar results in a larger repeated cross section of 36000 respondents (67 per CZ) over 2006-16.

We measure two outcomes, preferences for redistribution (τ) and immigration (q), using the first principal component from two questions on government spending and taxation, and on border control and illegal immigrants, respectively. Higher values indicate more favorable views on redistribution and immigration.²²

US imports from China grew fast before the start of our sample, and the effect on beliefs and policy preferences is likely to be delayed. Thus, to measure trade shocks,

²¹We explore conditional correlations with a regression at the CZ level. The dependent variable is the increase in Chinese imports between 2000 and 2016, ΔIP_{00-16} - the period considered by Autor et al (2020). The covariates, measured in 2006 (the beginning of the CCES sample period), are the CZ’s share of respondents who have some college education, college education or more, who are secular, and the respondent’s average income. The results are (standard error in parenthesis):

$$\Delta IP_{00-16} = 2.151_{(0.185)} - 0.915_{(0.249)} \text{somecollege}_{06} - 0.789_{(0.293)} \text{collegemore}_{06} - 0.618_{(0.267)} \text{secular}_{06} + 0.002_{(0.003)} \text{income}_{06}.$$

²²We don’t study opinions on trade policy because they are not consistently measured over time.

we take the change in import exposure during the 6 years before the CCES panel, namely between 2004 and 2014. We estimate:

$$\Delta y_{i,z} = \beta_0 \Delta \widehat{IP}_z + X'_{i,z,1} \beta_1 + Z'_z \beta_2 + u_{i,z},$$

where $\Delta y_{i,z}$ is the change in attitudes by respondent i in CZ z between 2010 and 2014, and $\Delta \widehat{IP}_z$ is the instrumented increase in import exposure in z . The coefficient of interest is β_0 . It measures the change in opinions of the average resident in more exposed CZs. By Prediction 1, β_0 should be negative both for immigration and redistribution (again, weakly so for the latter).

We control for respondent demographics, for her initial attitudes in 2010 $X_{i,z,1}$, as well as for CZ characteristics Z_z in year 2000, as in Autor et al. (2020). Note that the vector Z_c includes manufacturing employment. This amounts to controlling for any shock that hits the entire manufacturing sector. Thus, the coefficient of interest β_0 is estimated using variation within manufacturing.²³ We also include a dummy variable for respondents who changed CZ between 2010 and 2014, and its interaction with $\Delta \widehat{IP}_z$. The change in opinion is measured over a short period (five years), making this is a demanding exercise.

Table III reports the estimates, with and without covariates for the CZ. Estimation is by 2SLS and standard errors are clustered at the CZ level. As expected, residents of more exposed CZs become less favorable to redistribution and immigration.²⁴

Prediction 1 further implies that, in the more exposed CZ, only culturally conservative voters switch identity from class to culture and become more averse to immigrants. It also implies that lower class voters are the ones demanding less redistribution, while the opposite is true for upper class voters. To test this, in Table IV we interact the import shocks with two dummy variables measured at the begin-

²³As in Autor et al. (2020), the vector Z_z includes the manufacturing share of employment, the offshorability and routine task indexes of Autor and Dorn (2013), the county-level vote share for G.W. Bush in the presidential election, a dummy for Republican victory in that county, and their interaction. All these variables are measured in 2000. Inclusion of these variables is important for identification, given the nature of the instrument. Results (available upon request) are robust to also controlling for initial party identity, religiosity, and income of respondents.

²⁴According to our panel estimates, an acceleration in import penetration by one standard deviation reduces the willingness to redistribute and to accept immigrants by about 20% relative to the standard deviation of the change of mean attitudes across CZs between 2010 and 2014.

Table III. Import Penetration and Attitudes

	Immigration		Redistribution	
	(1)	(2)	(3)	(4)
ΔIP	-0.080 (0.031)	-0.124 (0.058)	-0.038 (0.037)	-0.170 (0.068)
Observations	9,451	9,451	7,251	7,251
F-stat	53.53	37.86	57.06	40.09
Individual Controls	Yes	Yes	Yes	Yes
CZ Controls		Yes		Yes

Notes: The table reports 2SLS estimates. For each commuting zone (CZ), the change in import penetration refers to the period between 2004 and 2014. The dependent variables are first differenced over the period 2010-2014. All specifications include demographic controls for gender, age, a quadratic of age, educational attainment, and race. CZ controls refer to year 2000 and include the manufacturing share in CZ employment, the offshorability and routine-task-intensity indexes as in Autor and Dorn (2013), the county-level republican vote share, a dummy for Republican victory in that county, and their interaction, a dummy variable for respondents who changed CZ between 2010 and 2014, alone and interacted with the change in imports exposure, and the level of the dependent variable in 2010. F-stat is the KP F-stat for weak instruments. Standard errors are clustered at CZ level.

ning of the sample period (2010), one for being secular and the other for belonging to the upper-middle classes (defined as being in the top 67% of the national income distribution of the CCES sample). The dependent variable is attitudes towards immigrants in columns (1)-(2) and preferences for redistribution in columns (3)-(4). In line with Prediction 1, religious people become less favorable to immigrants in more exposed CZ, while the effect of import exposure is absent or much smaller for secular respondents. In addition, demand for redistribution falls for the lower class, while there is no change or a much smaller effect in the upper-middle classes.²⁵

A possible concern is that the sample period overlaps with other major economic shocks, such as the 2007-2008 financial crisis or the diffusion of labor savings technologies (e.g. robots). A previous version of this paper showed that the estimates are robust to controlling for the incidence of these shocks in the CZ. Interestingly, the diffusion of robots also induces a deterioration in the attitudes towards immigrants,

²⁵Choi et al. (2021) report a similar finding in their analysis of the political effects of exposure to trade liberalization induce by NAFTA in the 1990s. Although they study voting behavior, rather than individual opinions, they find that the Democratic party lost votes in the more exposed counties particularly among white voters holding more conservative social views.

Table IV. Import Penetration and Attitudes - Heterogeneous effects

	Immigration		Redistribution	
	(1)	(2)	(3)	(4)
ΔIP	-0.173 (0.055)	-0.193 (0.076)	-0.189 (0.066)	-0.286 (0.072)
$\Delta IP * \text{Secular}$	0.144 (0.066)		0.041 (0.077)	
$\Delta IP * \text{Middle/Upper Class}$		0.111 (0.068)		0.146 (0.065)
Observations	9,451	8,423	7,251	6,527
F-stat	18.93	20.45	20.01	21.27
Individual Controls	Yes	Yes	Yes	Yes
CZ Controls	Yes	Yes	Yes	Yes

Notes: The table reports 2SLS estimates. For each commuting zone (CZ), the change in import penetration refers to the period between 2004 and 2014. All dependent variables are first differenced over the period 2010-2014 and regressions include a control for the level of the dependent variable in 2010. Income class and religiosity refer to 2010. All specifications are augmented by both demographic and CZ controls. Demographic controls include: gender, age, a quadratic of age, educational attainment, and race. CZ controls refer to year 2000 and include the manufacturing share in CZ employment, the offshorability and routine-task-intensity indexes as in Autor and Dorn (2013), the county-level republican vote share, a dummy for Republican victory in that county, and their interaction. All regressions include a dummy variable for respondents who changed CZ between 2010 and 2014, alone and interacted with the change in imports exposure. F-stat is the KP F-stat for weak instruments. Standard errors are clustered at CZ level.

while measures of the severity of the financial crisis are uncorrelated with changes in opinions. This too is consistent with the observation of BGT (2021), that only economic shocks that differentially hurt opposite cultural groups (like labor saving technologies) can favor cultural identity.

Overall, the results are roughly consistent with the model. Identity can explain a puzzling fact: an economic shocks that hurts conservative voters is associated with a drop in the demand for redistribution and a surge in opposition to immigrants.

Prediction 2: Changes in Political Supply To test Prediction 2, we measure the degree of relative universalism in Congressional speeches between 2000 and 2015-16, as in Enke (2020).²⁶ This index is constructed by counting the relative frequency

²⁶Records on Congressional speeches collected by Enke stop in July 2016.

of universalist vs communal words as defined in the Moral Foundation Dictionary (cf. Haidt, 2012). This measure reflects both policy platforms and rhetoric, and it is commonly interpreted as distinguishing progressive vs conservative values (Enke 2023). We cannot distinguish rhetoric from policy positions in these data, but Prediction 2 says that they should go hand in hand: more exposed districts should witness more conservative platforms and rhetoric, especially for party R .

The unit of observation is the Congressional district (CD). The outcome of interest is the change in relative universalism between 2000 and 2015-16 in the speeches of representatives elected in the district. The Change in import exposure is measured over the same time period.²⁷

We estimate the cross-sectional regression:

$$\Delta y_d = \beta_0 \widehat{\Delta IP}_d + Z'_d \beta_2 + u_d \quad (15)$$

where d denotes the CD, Δy_d is the change in relative universalism in the speeches of Congress representatives between 2000 and 2015-16, and the vector Z'_d includes state fixed effects plus other regressors at the CD level as in Autor et al. (2020) and Acemoglu and Restrepo (2019), accounting for demographic and labor market features of the CD, plus the Republican vote share in the 2000 Presidential elections. All variables, including Δy_d , are standardized.²⁸

The coefficient of interest is β_0 . It measures the effect of a standard deviation change in import exposure ΔIP_d on the change in relative universalism in Congressional speeches Δy_d , relative to the standard deviation of Δy across CDs. Summary statistics are in Supplemental Appendix (Gennaioli and Tabellini (2024)) Table A.6.

²⁷District boundaries changed over time, so we first match counties and commuting zones to CDs corresponding to Congress 106 (years 1999-2000), and construct a time-invariant cross-walk to map redistricted CDs to their geography in Congress 106, as in Calderon et al. (2021). Redistricting also changed the average features of the constituency that elected each representative and held him/her accountable, acting as a possible confounder. To address this problem, we adjust the change in the outcome variable by removing the changes that occurred around the time of redistricting, as in Autor et al. (2020). Results are robust to defining the outcome variables unadjusted for redistricting.

²⁸The demographic variables are: log population, share of women, share of elderly people (65yrs and above), share of blacks, share of hispanics, share of asians, share of whites, share of population with at least some college education and share of population with high-school diploma or lower grades. The labor market variables are: share in manufacturing, share of women in manufacturing, routine-task-intensity and offshorability indeces as in Autor et al. (2013). Since we include state fixed effects, 5 at-large districts that coincide with the state are not in our sample.

Estimation is by 2SLS, with ΔIP instrumented by the corresponding change in other developed countries, as in Autor et al. (2020) and as for the CCES data studied above.

Table V reports the estimated coefficient of interest, for different specifications (columns 1-2). In line with Prediction 2, representatives elected in more exposed CDs have reduced universalistic rhetoric in their speeches. In column (2), a one standard deviation change in import exposure is associated with a 0.237 reduction in relative universalism (relative to the standard deviation of its change).

Columns (3) and (4) estimate (15) in the subsamples of CDs in which the white non-hispanic population is above and below the sample median, respectively. The former CDs are likely to have a larger share of conservative voters, since ethnic minorities are unlikely to be conservative on the salient issues of race and immigration. We thus expect politicians to use a more conservative language in these CDs, where there are more white losers from trade who switch to conservative cultural identity. Indeed, the effect of increased import exposure is twice as large as the average effect in CDs above the median, while it is almost absent below the median.

We also consider the second implication of Prediction 2: the trade shock cause a stronger shift to conservatism by party *R* than by *D*. Columns (5) and (6) of Table V splits CDs based on the party in office in 2000. The effect of increased import exposure is negative only for Republican representatives. As shown in a previous version, results are even stronger if the split is based on the party in office in 2016.

To isolate the effect of import exposure that is not due to a party change, columns (7) and (8) only consider CDs where the party in office in 2016 was the same as in 2000, again splitting the sample between Republican and Democrats. To cope with redistricting, we only consider CDs where at least 50% of the population in the CD (as defined in 2015-16) is represented by the same party (resp. Republican and Democrat) as in 2000. Again, only Republicans have become less universalistic in the more exposed districts, while there is no change for Democrats. Results are similar if we restrict the sample to the portion of the CDs (as defined in 2000) whose population is represented by the same party in 2015-16 (resp. Republican and Democrat), weighting each portion of the CD by its population.

Supplemental Appendix (Gennaioli and Tabellini (2024)) Table A.7 shows that

Table V. Relative Universalism in Political Rhetoric - Baseline Estimates

	Relative Universalism							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Δ IP	-0.209 (0.111)	-0.237 (0.111)	-0.500 (0.250)	-0.047 (0.139)	-0.336 (0.197)	0.059 (0.189)	-0.589 (0.225)	0.132 (0.276)
Observations	426	426	211	215	218	208	184	137
F-stat	122.2	122.7	20.6	117.4	31.6	91.9	12.7	315.8
State FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Demographic Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Labor Market Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Republican Vote Share		Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sample	all	all	above WNH	below WNH	Rep 2000	Dem 2000	Rep	Dem

Notes: The table reports 2SLS estimates. Columns 3 and 4 refer to Congressional Districts (CDs) with share of white and non-hispanic population above (below) median. Columns 5 (resp. 6) restricts the sample to CDs represented by a Republican (resp. Democrat) in 2000. Columns 7 and 8 restrict the sample to CDs in which at least 50% of the population in the district as defined in 2016 is represented by the same party as in 2000, for Republicans and Democrats, respectively. The outcome measures the 2000-2016 change in the relative frequency of universalist moral rhetoric in Congressional speeches. The treatment variable measures the 2000-2016 change in import penetration. Both outcome and treatment variables are standardized. Demographic controls are measured in 2000 and include: log of population, share of women, of people above 65 years, of blacks, of hispanics, of asians, of whites, share of population with at least some college education and with high-school diploma or lower grades. Labor market controls are measured in 2000 and they include: share of workers in manufacturing, of women in manufacturing, routine task intensity and offshorability indeces as in Autor et al. (2013). Republican vote share refers to 2000 Presidential elections. The sample includes all CDs in continental US for which we have data, dropping at-large seats. F-stat is the KP F-stat for weak instruments. Standard errors are robust to heteroskedasticity.

these results are not due to pre-existing trends towards less universalism in the more exposed districts. In columns (1-2) we perform a placebo test, replacing the dependent variable with the change in relative universalism observed in the preceding periods 1993-2000 and 1980-2000 (adjusted for redistricting whenever relevant). The treatment ΔIP_d is computed over 2000-2016. The estimated coefficient of interest is positive and not statistically significant, suggesting the absence of relevant pre-existing trends in the outcome variable. The remaining columns control for the lagged change of the dependent variable over 1980-2000 and 1990-2000. The coefficient of interest is unaffected. A previous version showed that the results are also robust to controlling for a measure of the financial crisis and of the diffusion of robots, and to estimating two stacked first difference regressions, over the periods 2000-2007 and 2007-2016.

Overall, and consistently with prediction 2, in CDs more exposed to import competition Republican representatives have moved towards more conservative platforms and rhetoric, so as to cater to the increased conservatism of their voters in these areas.

6 Concluding Remarks

Conventional analyses of recent political changes often put political leaders center stage, as demiurges of sweeping shifts in the dimensions of conflict. This approach has two important weaknesses. First, it does not explain where the change in political supply comes from. There are surely historical accidents, but why do we observe growing cultural conflict and the lower class voting for the right, in so many countries at the same time? Second, and related, this approach assumes stable voter demands. But then, why would this agitation by politicians matter at all? If voters' beliefs are stable, politicians exaggerating policy conflicts may garner support of extremists, but eventually lose out due to the alienation of moderates.

We have argued that new voter demands, induced by shifting social identities, are an important driver of these changes. As shown by BGT (2021) and Sides et al. (2018), this perspective is consistent with US survey evidence indicating that: i) voters care more about cultural issues than in the past, ii) opposite cultural groups have polarized, both in social policy and redistribution, and iii) opposite classes have de-polarized on redistribution. Voters now frame politics as a “culture war” rather

than a “class struggle”. This new frame influences their opinions across a range of issues. The psychology of identity offers the microfoundation for this process.

We have also shown that this approach is not just about demand, it is fruitful for thinking also about political supply. First, politicians adapt their platforms, rhetoric and propaganda to voters’ identities, and become actors in the culture war. Second, the consequences of the identity shift can be amplified by political leaders. By making ingroup-outgroup differences even more salient, these supply responses amplify the change in voters’ opinions, fueling polarization and erroneous beliefs.

Finally, this approach does not only explain why voters change their demands and politicians their platforms, but also what drives political change. In particular, it explains why increased exposure to globalization, or to technological shocks increasing the salience of the educational divide, are associated with more cultural conservatism and lower demand for redistribution by economic losers.

One advantage of our approach is that it helps explain why similar trends of political realignment and growing cultural conflict are observed in several countries, and not just in the US.²⁹ The almost simultaneous rise of Trump in the US, Brexit in the UK, Le Pen in France, and Salvini in Italy suggests that politicians adapt to deeper common changes in the social landscape, due to a shift to cultural identity. Indeed, recent research has identified several shocks that, by increasing the salience of cultural conflict, may have strengthened cultural identities throughout Europe. These common fault lines between opposite visions of what it means to be French, or German, or British, running through similar neighboring nations, may also have been amplified by spillover effects across countries.³⁰

In future work it may be interesting to study how party platforms and propaganda may contribute to change voters’ identities, by enhancing the salience of underlying cleavages or of specific shocks. If parties mostly disagree on redistribution, they will attract the votes of opposite economic classes, facilitating and strengthening class iden-

²⁹See Gethin et al. (2022). Hix et al. (2019) study roll call votes in the European Parliament and show that, since 2014, conflict changed from left vs. right to nationalism vs being pro-EU.

³⁰Danieli et al. (2022) show that voters’ realignment towards extreme right wing populist parties in Europe can be largely explained by a rise in the salience of cultural issues for conservative voters. On which shocks increased the salience of cultural conflict, see the review by Colantone et (2022) on the role of globalization, technology and immigration throughout Europe, Samsi (2024) on the effects of exposure to immigrants during the Brexit campaign, Manacorda et al. (2023) on the effects of 3G and 4G technologies in strengthening cultural and political tribalism in Europe.

tities. If instead party divergence is mostly on cultural issues, voters will sort across parties by their culture, reinforcing identification along this dimension. Through this channel, random political shocks can have persistent effects on the political system and on voters' polarization. As pointed out by Sides et al. (2018), the Obama presidency amplified racial sorting across parties, reinforcing racial identity. This in turn enhanced voters' polarization on racial issues, and increased the incentives of parties to engage in racial propaganda, further inflaming voters' polarization and racial sorting. In this sense, Obama's election may have facilitated the subsequent election of President Trump, with lasting effects on the US political system. Studying more in details these interactions between political demand and supply through the lens of identity theory is a promising direction for future research.

7 References

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Appendix

Proof of Equation (9). We now prove that beliefs fulfill Equation (9). In (8), the distorted likelihood ratio between average group members is:

$$\frac{z_{\iota}^{\iota}(\tilde{y})}{z_{-\iota}^{-\iota}(\tilde{y})} = \frac{K_{\iota}}{K_{-\iota}} * \frac{z_{\iota}^{\iota}(\tilde{y})}{z_{-\iota}^{-\iota}(\tilde{y})} \left[\frac{z_{\iota}^{\iota}(\tilde{y})}{z_{-\iota}^{-\iota}(\tilde{y})} \right]^{2\chi}, \quad (16)$$

where K_{ι} and $K_{-\iota}$ are positive normalization constants and where we used $\chi_{\iota} + \chi_{-\iota} = 2\chi$. The equation defines a fixed point condition, which has a unique, non-zero, and stable solution provided $\chi < 1/2$. In this case, there also exist K_{ι} and $K_{-\iota}$ such that the distorted distributions integrate to one. Then, Equation (8) becomes:

$$z_{\iota}^{ij}(\tilde{y}) = K_{ij,\iota} * z^{ij}(\tilde{y}) \left[\frac{z_{\iota}^{\iota}(\tilde{y})}{z_{-\iota}^{-\iota}(\tilde{y})} \right]^{\frac{\chi}{1-2\chi}},$$

So, for Gaussian distributions: $y_{\iota}^{ij} = \int \tilde{y} z_{\iota}^{ij}(\tilde{y}) d\tilde{y} = y^{ij} + \theta(y^{\iota} - y^{-\iota})$ for $y = \varepsilon, \psi$. ■

Proof of Proposition 1. The conflict between cultural groups and between economic classes (defined in terms of their rational bliss points in policy) are:

$$\Delta(U, L) = 2\varepsilon^2, \Delta(P, C) = 2(\kappa + \beta^2)\psi^2.$$

Consider the similarity $\Delta^{ij}(G)$ of voter ij to his ingroup G . Members of the same

economic class differ by ψ from the average class ingroup. Members of the same cultural group differ by ε from the average income of their cultural ingroup. Thus:

$$\Delta^{Uj}(U) = \Delta^{Lj}(L) = (\kappa + \beta^2) \psi^2 / 2, \Delta^{iP}(P) = \Delta^{iC}(C) = \varepsilon^2 / 2.$$

All voters then identify with their cultural group if and only if:

$$\begin{aligned} \Delta(P, C) - \lambda \varepsilon^2 / 2 &\geq \Delta(U, L) - \lambda (\kappa + \beta^2) \psi^2 / 2 \Leftrightarrow \\ \psi^2 &\geq \left(\frac{1}{\kappa + \beta^2} \right) \varepsilon^2, \end{aligned}$$

while they identify with their economic class otherwise. ■

Proof of Proposition 2. Using (9), (10), (11):

$$\begin{aligned} q_\psi^P - q_\psi^C &= (1 + 2\theta)2\psi > q_\varepsilon^P - q_\varepsilon^C = 2\psi \\ \tau_\psi^P - \tau_\psi^C &= (1 + 2\theta)2\beta\psi > \tau_\varepsilon^P - \tau_\varepsilon^C = 2\beta\psi \\ \tau_\psi^L - \tau_\psi^U &= 2\varepsilon < \tau_\varepsilon^L - \tau_\varepsilon^U = (1 + 2\theta)2\varepsilon \end{aligned}$$

Moreover, $\text{Var}(q_\psi^{ij}) = \frac{1}{4} \sum_{ij} (q_\psi^{ij})^2$. Since $q_\psi^{ij} = (1 + 2\theta)q_\varepsilon^{ij}$, for $j = C, P$ and $i = L, U$, we have $\text{Var}(q_\psi^{ij}) > \text{Var}(q_\varepsilon^{ij})$. Also,

$$\text{Var}(\tau_\psi^{ij}) = \frac{1}{4} \sum_{ij} [\beta^2 (\psi_\varepsilon^{ij})^2 + (\varepsilon_\psi^{ij})^2 - 2\beta \psi_\varepsilon^{ij} \varepsilon_\psi^{ij}] \quad (17)$$

where $\psi_\psi^{ij} = (1 + 2\theta)\psi_\varepsilon^{ij}$ and $\varepsilon_\psi^{ij} = (1 + 2\theta)\varepsilon_\varepsilon^{ij}$, for $j = C, P$ and $i = L, U$. Inserting these expressions in (17) and using $\varepsilon > \beta\psi$ proves that $\text{Var}(\tau_\psi^{ij}) < \text{Var}(\tau_\varepsilon^{ij})$. ■

Proof of Proposition 3. Party p solves $\max_{q_p, \tau_p} \frac{1}{4} \sum_{ij} \pi_{\psi p}^{ij}$, where

$$\pi_{\psi p}^{ij} = 0.5 + \Phi \left[\frac{\kappa}{2} (\hat{q}_p^{ij} - q_\psi^{ij})^2 + \frac{1}{2} (\hat{\tau}_p^{ij} - \tau_\psi^{ij})^2 - \frac{\kappa}{2} (\hat{q}_p^{ij} - q_\varepsilon^{ij})^2 - \frac{1}{2} (\hat{\tau}_p^{ij} - \tau_\varepsilon^{ij})^2 \right], \quad (18)$$

with expected policies $\hat{q}_p^{ij} = q_p$ and $\hat{\tau}_p^{ij} = \tau_p$ unless $p = R$ and $ij = LP$ or $p = D$ and $ij = UC$, in which cases for a measure $\alpha < 1/4$ of group members expected policies are fixed at the equilibrium policies. Denote by $ij = c_{\bar{p}}$ the core voters of party \bar{p}

(who do not fully trust party's p policy promises). Then, first order conditions are:

$$\begin{aligned} -\frac{\Phi}{4} \sum_{ij \neq c_{\bar{p}}} \kappa (\hat{q}_p^{ij} - q_{\iota}^{ij}) - \Phi \left(\frac{1}{4} - \alpha \right) \kappa (\hat{q}_p^{c_{\bar{p}}} - q_{\iota}^{c_{\bar{p}}}) &= 0, \\ -\frac{\Phi}{4} \sum_{ij \neq c_{\bar{p}}} (\hat{\tau}_p^{ij} - \tau_{\iota}^{ij}) - \Phi \left(\frac{1}{4} - \alpha \right) (\hat{\tau}_p^{c_{\bar{p}}} - \tau_{\iota}^{c_{\bar{p}}}) &= 0, \end{aligned}$$

with second derivatives $-\Phi \kappa (1/4 - \alpha) < 0$ and $-\Phi (1/4 - \alpha) < 0$ and zero cross partials. So second order conditions for a maximum are satisfied. Denote by $\rho = \varepsilon, \psi$ the identity regime, economic if $\rho = \varepsilon$, cultural if $\rho = \psi$. Equilibrium platforms are:

$$q_{\rho p}^* = q^o + \sum_{ij} \alpha_p^{ij} \psi_{\iota}^{ij}; \quad \tau_{\rho p}^* = \tau^o + \sum_{ij} \alpha_p^{ij} (\beta \psi_{\iota}^{ij} - \varepsilon_{\iota}^{ij}),$$

where $q^o = 0$, $\tau^o = v - 1$ and where ψ_{ι}^{ij} and ε_{ι}^{ij} denote the stereotyped beliefs of voter ji when identified with ingroup ι , where $\iota = i$ for $\rho = \varepsilon$ and $\iota = j$ otherwise, and the weights are $\alpha_p^{ij} = \frac{1}{4(1-\alpha)}$ for $ij \neq c_{\bar{p}}$ and $\alpha_p^{ij} = \frac{1/4-\alpha}{1-\alpha}$ for $ij = c_{\bar{p}}$. Hence:

$$\begin{aligned} q_{\rho R}^* &= -\frac{\alpha}{1-\alpha} \psi_{\rho}^P < q^o = 0 < q_{\rho D}^* = -\frac{\alpha}{1-\alpha} \psi_{\rho}^C, \\ \tau_{\rho R}^* &= \tau^o - \frac{\alpha}{1-\alpha} (\beta \psi_{\rho}^P - \varepsilon_{\rho}^L) < \tau^o < \tau_{\rho D}^* = \tau^o - \frac{\alpha}{1-\alpha} (\beta \psi_{\rho}^C - \varepsilon_{\rho}^U). \end{aligned}$$

where ψ_{ρ}^P is the average culture of voters in group P when the identity regime is ρ and where ψ_{ρ}^C , ε_{ρ}^L and ε_{ρ}^U are defined accordingly. Using the equations for beliefs, party divergence over q and τ in different identity regimes is:

$$q_{\varepsilon D}^* - q_{\varepsilon R}^* = \frac{2\alpha\psi}{1-\alpha} < q_{\psi D}^* - q_{\psi R}^* = \frac{2\alpha\psi(1+2\theta)}{1-\alpha}, \quad (19)$$

$$\tau_{\varepsilon D}^* - \tau_{\varepsilon R}^* = \frac{2\alpha[\beta\psi + \varepsilon(1+2\theta)]}{1-\alpha} > \tau_{\psi D}^* - \tau_{\psi R}^* = \frac{2\alpha[\beta\psi(1+2\theta) + \varepsilon]}{1-\alpha}. \quad (20)$$

Divergence weakly increases in θ . A switch in identity regime from class to culture (from $\rho = \varepsilon$ to $\rho = \psi$), which by Proposition 1 occurs when κ increases from $\kappa_0 < (\varepsilon/\psi)^2 - \beta^2$ to $\kappa_1 > (\varepsilon/\psi)^2 - \beta^2$, boosts polarization over q , reduces it over τ . ■

Proof of Proposition 4. In analogy with our definition of $\Delta^{ij}(\iota)$, the (quadratic)

welfare loss for voter ij if party p wins is, at equilibrium policies:

$$\Delta_{\iota}^{ij}(\widehat{Y}_p) = \frac{1}{2}[(\kappa + \beta^2)(\psi_{pp} - \psi_{\iota}^{ij})^2 + (\varepsilon_{pp} - \varepsilon_{\iota}^{ii})^2] - \beta(\psi_{pp} - \psi_{\iota}^{ij})(\varepsilon_{pp} - \varepsilon_{\iota}^{ij}),$$

where $\psi_{pp} = \sum_{ij} \alpha_p^{ij} \psi_{\rho}^j$, $\varepsilon_{pp} = \sum_{ij} \alpha_p^{ij} \varepsilon_{\rho}^i$, where ψ_{ρ}^j and ε_{ρ}^i are defined as in the proof of Proposition 3. Plugging this expression in (18) we obtain:

$$\begin{aligned} \pi_{\iota R}^{ij} = & 0.5 + \Phi\left[\frac{\kappa + \beta^2}{2}[(\psi_{\rho D} - \psi_{\rho R})(\psi_{\rho D} + \psi_{\rho R} - 2\psi_{\rho}^j) + \right. \\ & + \frac{1}{2}[(\varepsilon_{\rho D} - \varepsilon_{\rho R})(\varepsilon_{\rho D} + \varepsilon_{\rho R} - 2\varepsilon_{\rho}^i)] - \\ & \left. - \beta[(\psi_{\rho D} - \psi_{\rho}^j)(\varepsilon_{\rho D} - \varepsilon_{\rho}^i) - (\psi_{\rho R} - \psi_{\rho}^j)(\varepsilon_{\rho R} - \varepsilon_{\rho}^i)]\right], \end{aligned} \quad (21)$$

where in $\pi_{\iota R}^{ij}$ the ingroup ι corresponds to the one selected in identity regime ρ . Because the identity regime ρ is the same for everyone, $\psi_{\rho D} - \psi_{\rho R} = \frac{2\alpha}{1-\alpha}\psi_{\rho}^P$, $\varepsilon_{\rho D} - \varepsilon_{\rho R} = \frac{2\alpha}{1-\alpha}\varepsilon_{\rho}^L$, $\psi_{\rho D} + \psi_{\rho R} = \varepsilon_{\rho D} + \varepsilon_{\rho R} = 0$, where we exploit $\psi_{\rho}^C = -\psi_{\rho}^P$ and $\varepsilon_{\rho}^U = -\varepsilon_{\rho}^L$. Plugging these conditions into $\pi_{\iota R}^{ij}$ and simplifying we obtain:

$$\pi_{\iota R}^{ij} = \Phi \left\{ \frac{2\alpha}{1-\alpha} [\psi_{\rho}^P [\beta \varepsilon_{\rho}^i - (\kappa + \beta^2) \psi_{\rho}^j] + \varepsilon_{\rho}^L [\beta \psi_{\rho}^j - \varepsilon_{\rho}^i]] \right\} \quad (22)$$

Defining $\varepsilon_{\varepsilon} = \varepsilon(1 + 2\theta)$, $\psi_{\varepsilon} = \psi$ and $\varepsilon_{\psi} = \varepsilon$, $\psi_{\psi} = \psi(1 + 2\theta)$, we have that:

$$\begin{aligned} \pi_{\iota R}^{UC} &= 0.5 + \Phi \frac{2\alpha}{1-\alpha} [2\beta \psi_{\rho} \varepsilon_{\rho} + (\kappa + \beta^2) \psi_{\rho}^2 + \varepsilon_{\rho}^2] > 1/2 \\ \pi_{\iota R}^{LP} &= 0.5 + \Phi \frac{2\alpha}{1-\alpha} [-2\beta \psi_{\rho} \varepsilon_{\rho} - (\kappa + \beta^2) \psi_{\rho}^2 - \varepsilon_{\rho}^2] < 1/2 \\ \pi_{\iota R}^{UP} &= 0.5 + \Phi \frac{2\alpha}{1-\alpha} [-(\kappa + \beta^2) \psi_{\rho}^2 + \varepsilon_{\rho}^2] \gtrless 0.5 \quad \text{as} \quad \varepsilon_{\rho}^2 \gtrless (\kappa + \beta^2) \psi_{\rho}^2 \\ \pi_{\iota R}^{LC} &= 0.5 + \Phi \frac{2\alpha}{1-\alpha} [(\kappa + \beta^2) \psi_{\rho}^2 - \varepsilon_{\rho}^2] \gtrless 0.5 \quad \text{as} \quad \varepsilon_{\rho}^2 \gtrless (\kappa + \beta^2) \psi_{\rho}^2 \end{aligned}$$

If initially $\kappa < (\varepsilon/\psi)^2 - \beta^2$ class identity prevails, a fortiori $\varepsilon_{\varepsilon}^2 > (\kappa + \beta^2) \psi_{\varepsilon}^2$, which implies $\pi_{UR}^{UP} > 0.5 > \pi_{LR}^{LC}$. If κ increases to the point that $\kappa > (\varepsilon/\psi)^2 - \beta^2$, we move from $\rho = \varepsilon$ to $\rho = \psi$. A fortiori $\varepsilon_{\psi}^2 < (\kappa + \beta^2) \psi_{\psi}^2$, which implies $\pi_{PR}^{UP} < 0.5 < \pi_{CR}^{LC}$. Thus, as identity switches to culture, the majority of UP (resp. LC) voters switches from R (resp. D) to D (resp. R).

Note that the above expressions imply that, under cultural identity:

$$\frac{\partial \pi_{CR}^{iC}}{\partial \kappa \partial \theta} = 2\psi^2 = -\frac{\partial \pi_{PR}^{iP}}{\partial \kappa \partial \theta} > 0$$

Using the notation $z = 1 + 2\theta$ and dropping the constant $\Phi \frac{2\alpha}{1-\alpha}$, when κ increases from $\kappa_0 < (\varepsilon/\psi)^2 - \beta^2$ to $\kappa_1 > (\varepsilon/\psi)^2 - \beta^2$, voter types ij realign as follows:

$$\begin{aligned} \pi_{CR}^{UC} - \pi_{UR}^{UC} &\propto [(\kappa_1 + \beta^2)\psi^2 - \varepsilon^2] z^2 - [(\kappa_0 + \beta^2)\psi^2 - \varepsilon^2] > 0, \\ \pi_{PR}^{LP} - \pi_{LR}^{LP} &\propto [(\kappa_0 + \beta^2)\psi^2 - \varepsilon^2] - [(\kappa_1 + \beta^2)\psi^2 - \varepsilon^2] z^2 < 0, \\ \pi_{PR}^{UP} - \pi_{UR}^{UP} &\propto [(\kappa_0 + \beta^2)\psi^2 + \varepsilon^2] - [(\kappa_1 + \beta^2)\psi^2 + \varepsilon^2] z^2 < 0, \\ \pi_{CR}^{LC} - \pi_{LR}^{LC} &\propto [(\kappa_1 + \beta^2)\psi^2 + \varepsilon^2] z^2 - [(\kappa_0 + \beta^2)\psi^2 + \varepsilon^2] > 0. \end{aligned}$$

The above inequality hold also for $\theta = 0$, i.e. $z = 1$. But $\theta > 0$ amplifies the changes. In moving from κ_0 to κ_1 progressive (resp. conservative) voters leave (resp. join) R regardless of their class. Overall, the lower/upper class joins/leaves R iff:

$$(\pi_{PR}^{LP} - \pi_{LR}^{LP}) + (\pi_{CR}^{LC} - \pi_{LR}^{LC}) > 0 \Leftrightarrow z^2 = (1 + 2\theta)^2 > 1.$$

Thus, the lower class moves toward R if and only if $\theta > 0$. ■