Dear conference participants,

Our submission requires some explanation, as it comes in two parts. First, we have a paper presenting and analyzing a paradox in contemporary fiscal politics: that opposition to federal spending is higher in states receiving more money, per tax dollar paid, from the federal government. This is important, we argue, largely because it creates odd mandates for many members of Congress representing poor states. While this paper is meant to stand alone, it also represents the first step in a larger project analyzing American fiscal politics over time. The appendix to which the paper refers is attached separately.

The second part of our submission is an epilogue of sorts to the paper, presenting preliminary evidence of a temporal dimension to the spending paradox. The phenomenon we observe in the wake of the Great Recession did not exist after the Great Depression. This finding sets up the question motivating our larger project: why did a spending paradox emerge in the U.S. over the postwar period? We're still in the very early stages of the larger project, and would be grateful for any and all suggestions!

Thanks,

Kate and Kelly

Behind the Federal Spending Paradox: Economic Self-Interest and Symbolic Racism in Contemporary Fiscal Politics*

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Abstract

We show how symbolic politics condition public opinion on federal spending, and how this helps to explain an important puzzle in contemporary American politics. Using multilevel regression and poststratification to estimate state-level opinion on federal spending, we show that, curiously, opposition to federal spending is higher in states receiving more federal money, per tax dollar paid. Belying the popular narrative surrounding so-called "red state socialism," we find that simple hypocrisy does not explain this paradox—individuals who are likely to benefit from spending tend to support it. But, income is a more powerful predictor of opinion on spending in "taker" states than "giver" states, heightening state-level opposition in the former. There is also more to the story than economic self-interest. Symbolic racism is four times more powerful than income in explaining opposition to spending, and there are more people with such attitudes in states receiving more federal money.

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1 The Paradox of "Givers" and "Takers"

When the House of Representatives delayed voting on a Hurricane Sandy relief bill in January 2013, New Jersey Governor Chris Christie lambasted co-partisan Speaker John Boehner, arguing that hard-hit states New Jersey and New York were "donor states" to the federal coffers, and deserved assistance in their own time of need (Mataconis 2013). This theme resurfaced as he and Rand Paul—two high profile Republican leaders—engaged in a public battle over federal spending in their respective states. Dubbing Christie the "King of Bacon," the Kentucky senator claimed the New Jersey governor was part of a fiscally reckless group "unwilling to cut the spending, and they're 'Gimme, gimme, gimme—give me all my Sandy money now'" (Blake 2013). Christie fired back against Paul's claim that he was "bankrupting the government," noting that Kentucky receives $1.51 from the federal government for every dollar it contributes in taxes, while New Jersey receives only $0.61 (Blake 2013; Gold 2013).

This argument revived a popular narrative on so-called "red state socialism," which also received attention leading up to the 2008 and 2012 presidential elections.[1] In this account, so-called "taker states" (i.e., those receiving more federal funds than they pay in federal taxes) tend to be red states, where voters presumably prefer smaller government and less spending and where the Tea Party has been most politically popular. On the other side, "giver states" (i.e., those paying more in federal taxes than they receive in federal outlays) tend to support Democrats, who presumably promote the kinds of redistributive policies that appear *not* to benefit these states. The political science literature has noted this pattern as well. Moving beyond the blunt "red state, blue state" and "giver, taker" distinctions, Lacy (2009) finds a positive correlation between Republican vote share and net outlays dating back at least as far as 1984 (see also Francia and Levine (2006)).

Now, there is nothing pernicious or even surprising about the existence of "giver"

[1]For recent examples, see Appelbaum and Gebeloff (2012); Perr (2012); Moran (2012).

and “taker” states. Reallocation of wealth between people and regions is common practice in liberal democracies. Indeed, the notion that government should mitigate human suffering through redistribution played a key role in the New Deal, which established the modern American state. What *is* puzzling about contemporary fiscal politics is that the most energetic critiques of federal spending are coming from net beneficiary states. We refer to this correlation between state-level opposition to spending and net receipt of federal outlays as the “spending paradox.”

Before we investigate the curious correlation between opposition to spending and outlays, we need to confirm its existence. Thus far, all popular and academic accounts of the paradox have used Republican vote share to measure opposition to spending. This is a coarse proxy. Just because someone votes Republican does not mean he is fiscally conservative—many factors go into partisanship and vote choice. Over the past few decades, social issues have become central to the Republican brand. If we want to know whether there is a true positive correlation between opposition to spending and net outlays to states, we should analyze state-level opinion specifically on spending. In Section 5, we provide the first systematic documentation of the federal spending paradox. State-level opposition to federal spending does in fact correlate with net federal outlays to states.

How can we explain this odd relationship? The popular narrative is that individual perversities underlie “red state socialism.” That is, Republican voters oppose on principal the very funding on which they depend, while the Democrats they call profligate spenders pick up the check. Some blame straight-up hypocrisy (Moran 2012), though others have argued that people don’t realize how much they benefit from government outlays (Appelbaum and Gebeloff 2012; Atkins 2014). Indeed, *New York Times* columnist Paul Krugman argues that politicians foster this kind of confusion (Krugman 2012). People might also feel guilty for accepting public benefits, and resent the government for providing them (Appelbaum and Gebeloff 2012).

While some of these claims may sound compelling, we cannot draw conclusions about individuals from state-level analyses. Just because beneficiary states' populations oppose spending, on average, does not mean individual beneficiaries do. Gelman et al. (2008) show, for example, that rich people tend to support Republicans, even though rich states tend to support Democrats. And Lacy (2014) finds that, while people living in taker states were less likely to vote for Obama, whether or not people perceived themselves to be net beneficiaries of government spending was not generally correlated with their presidential vote.[2] In sum, to see if people truly claim to disapprove of spending from which they benefit, as the popular "red state socialism" narrative suggests, we need to examine the relationship between beneficiary status and opinion on spending (rather than Republican vote choice) at the individual (rather than state) level.

Exposing the hazards of drawing ecological inferences, we show in Section 6 that likely beneficiary status is *negatively* correlated with opposition to spending at the individual level, contra the red state socialism narrative. This leads us to a more specific research question: if the relationship between opinion on spending and beneficiary status makes sense at the individual level—that is, the more likely one is to benefit from government spending, the more one tends to support it—why is opposition to spending higher in beneficiary states?

We find in Section 7 that the strength of the relationship between beneficiary status and opposition to spending varies across the giver-taker continuum. Income (measuring likely beneficiary status) has a stronger association with opposition to spending in taker states than giver states. This raises overall levels of opposition to spending in states with higher ratios of spending to taxes. Thus, the spending paradox is explained in part by differences in the way beneficiary status influences opinion on spending across the

[2]Voters 65 and older who think they are net beneficiaries of federal spending were more likely to vote for Obama, however (Lacy 2014).

giver-taker continuum.

But, there is more to the story than economic self-interest. Symbolic factors, like symbolic racism, have been shown to affect opinion across a wide range of issues. Section 2 explains how and why symbolic racism could also shape attitudes on spending. Our empirical analysis supports this theory. Section 6 shows that symbolic racism is not only associated with opposition to spending, its relationship to spending is four times stronger than income's. Because more people express these views in taker states than giver states, as we demonstrate in Section 7, they contribute to the state-level spending paradox we observe.

In sum, this paper makes several important contributions to our understanding of public opinion and fiscal politics, beyond simply correcting a popular narrative on "red state socialism." We offer the first view of state-level opinion on federal spending, and its relationship to net federal outlays to states. Most existing studies of public opinion on fiscal issues focus on the individual or national level (e.g., Hartley and Russett 1992; Jacoby 1994, 2000; Wlezien 2004). It is also important to consider state-level opinion because this is how many members of Congress (MCs) think about opinion. Since Congress is the main site of conflict on budgetary matters, given its famous "power of the purse," we need to understand its members' electoral incentives in this area. This is particularly urgent right now, given recent budget crises paralyzing Congress.

The spending paradox is of both public and academic interest. If lawmakers' electoral incentives seem counterintuitive—that is, MCs from states relying most on spending seem to have a mandate to oppose spending—we should want to know why. If public opinion on spending is nonsensical, as the "red state socialism" narrative suggests, we might not want MCs to respond to it. Indeed, Edmund Burke famously argued that representatives ought to consider the people's interests, rather than their expressed desires (Miller and Stokes 1963). One could argue that good democratic representation also requires MCs to look past public attitudes driven by illiberal forces, like racism.

Examining how individual opinion on fiscal politics aggregates to form state-level public opinion reveals important insights. While preferences on spending are not entirely irrational, in that individual beneficiaries support spending, economic self-interest aggregates in ways that produce odd mandates for MCs from taker states. Importantly, we also find that fiscal politics are not all about money, as racial resentment, an attitude more prevalent in taker state populations, powerfully conditions attitudes about spending. Our analysis shows that fiscal and social politics are intertwined, not only at the level of individual opinion formation, but also in the mechanics of aggregation to electorally-relevant "public opinion."

2 The Role of Economic Self-Interest and Symbolic Politics in Shaping Individual Attitudes about Spending

We begin our investigation of the spending paradox by examining known determinants of opinion on spending at the individual level. These fall into two main categories. The first, rational self-interest, is contrary to the notion of individual perversities leading people to oppose spending from which they benefit. The second, symbolic politics, can pull people away from their economic self-interest.

2.1 Economic Self-Interest

Many studies have examined the role of economic self-interest in opinion formation. Essentially, they argue, people run a cost-benefit analysis when deciding whether to support government spending. There is a lot of empirical support for this notion. Studies of opinion on specific programs have shown that the most popular programs tend to be those that potentially benefit many people (like Social Security and education), while programs targeting smaller groups (like food stamps and welfare) are less popular (Sears and Citrin 1982; Sanders 1988).

However, there are limits to what self-interest can explain. In the realm of government expenditures, meaningful cost-benefit analyses can be tricky. Unlike market

goods and their prices, the relationship between pubic goods and taxes paid is more remote (Birdsall 1965). Moreover, because citizens cannot pick and choose which government expenditures they wish to pay for, people inevitably pay for some services that do not benefit them, and so, as Downs (1960) observes, "no one ever attains marginal equilibrium" with the government. Misinformation may also distort people's perceptions of costs and benefits (Citrin 1979).

On the flip side, empirically, we can see that people sometimes support government programs from which they are unlikely to personally benefit (Mueller 1963; Sanders 1988). Some people may perceive a symbolic or collective benefit, if not a material one (Citrin 1979). Self-interest can be difficult to define, and it is not necessarily the most important factor in people's evaluations of government spending levels. Their opinions may depend on their perception of how much others benefit, not just their personal cost/benefit calculation (Birdsall 1965).

2.2 Symbolic Politics

Symbolic politics also come into play on fiscal issues. Partisanship and ideology are two classic symbolic factors that we know affect opinion on spending. People take cues from parties in forming their issue positions, particularly on complex matters. Since the New Deal, elite Democrats have supported spending more than elite Republicans, and opinions among the general public reflect this partisan division (e.g., Mueller 1963; Eismeier 1982; Sanders 1988). And, of course, self-identified conservatives are less likely to support government spending than self-identified liberals. On the whole, Jacoby (1994) finds that party identification and ideology match or exceed the predictive power of several specific policy opinions in explaining attitudes about general government spending.

Another symbolic factor associated with opposition to government spending is symbolic racism, a post Civil Rights era form of racial conservatism. This set of attitudes, first described by Sears and Kinder (1971), is rooted, in part, in the belief that blacks get

more assistance than they deserve from government (Sears and Henry 2005, 95).[3] Racial attitudes can infiltrate people's thinking about general government spending in two ways. If people believe that public funding on the whole grants undue benefits to racial minorities (a variation on the belief that minorities "get more than they deserve"), they may be more likely to oppose spending. Symbolic racism could also work indirectly, if people associate general spending with specific programs that symbolic racism has been shown to influence.[4]

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[3]This concept goes by a few names. Over the years, people have also called it "modern racism" and "racial resentment." Sears and Henry (2005) argue that, at their core, they are all very similar. This paper uses the terms "racial resentment," "racial attitudes," and "symbolic racism" interchangeably. In their overview of three decades of work on symbolic racism, Sears and Henry (2005) note that the concept has evolved over time, and "now is usually described as a coherent belief system reflecting a unidimensional underlying prejudice toward Blacks, with four specific themes: the beliefs that Blacks no longer face much prejudice or discrimination, that their failure to progress results from their unwillingness to work hard enough, that they are demanding too much too fast, and that they have gotten more than they deserve" (100).

[4]A large body of work has shown that racial attitudes predict people's positions on issues directly related to race, like affirmative action, school busing, aid to minorities, open housing laws, and immigration policy (Bobo 1983; Sears 1988; Sears, Hensler and Speer 1979; Sidanius, Devereux and Pratto 1992; Sniderman and Piazza 1993; Brader, Valentino and Suhay 2008, *inter alia*). Racial attitudes also predict opinion on issues *not* directly about race, like welfare (Gilens 1995, 1996, 1999) and crime (Hurwitz and Peffley 1997, 2005; Gilliam and Iyengar 2000; Mendelberg 2001), and on issues that are even more weakly tied to race, like Social Security (Winter 2006), healthcare (Tesler 2012), and taxes (Sears and Citrin 1982; Edsall and Edsall 2001).

Analyzing attitudes about spending at the individual level, Jacoby (1994, 2000) finds support for both mechanisms. He shows that welfare attitudes share the same underlying structure as attitudes about general government spending, whereas opinion on other specific spending programs does not. Thus, he infers that when people are asked a non-specific question about government spending, they are actually thinking about welfare spending. Since racial attitudes affect opinion on welfare, this means they also indirectly affect opinion on general government spending. Jacoby finds a direct effect as well. Symbolic racism is correlated with attitudes on government spending, even after controlling for opinion on specific types of spending, party identification, ideology, and opinion about government waste.

3 How the Mechanics of Aggregation Could Produce a State-Level Spending Paradox

While previous research documents the foundations of individual opinion on government spending, we need to go a step further to determine how such opinions contribute to the spending paradox. There are two reasons why the relationship between individual and state-level opinion might not be straightforward, which could explain why average opposition to spending is relatively high in states receiving more net outlays, even though individual beneficiaries of spending tend to support it.

First, we know that the distributions of characteristics associated with opinion on spending (e.g., income) vary across state populations. The key question is, do they vary in a way that would contribute to the paradox? For example, a characteristic associated with greater opposition to spending at the individual level could be more prevalent in taker state populations. Or, an individual characteristic associated with support for spending could be more prevalent in giver state populations.

Second, the strength of different characteristics' influence on individuals' opposition to spending may vary across giver and taker states. One could think about an individual model of opposition to spending as a rough summary of how people weigh their many

different and sometimes competing interests to calculate their overall opinion on spending. People might do this the same way everywhere. Given known differences in state political cultures, however, people probably weigh their interests differently, depending on where they live. Those in taker (giver) states may put more weight on a characteristic positively (negatively) associated with opposition to spending. This would contribute to a paradoxical correlation between opposition to spending and net outlays.

These two factors—the distribution of characteristics associated with opposition to spending and the strength of their influence—may be mutually reinforcing or cross-cutting. For example, Gelman et al. (2008) find that these factors operate in a cross-cutting fashion in their study of income and Republican voting. While there are proportionally more rich people in blue states and more poor people in red states, income only weakly affects the probability of voting Republican in blue states, while it strongly affects the probability of voting Republican in red states. Thus, while rich people tend to support Republicans, rich states tend to support Democrats.

We investigate how individual attitudes about spending aggregate to form state-level opinion. Specifically, we examine how the distribution and influence of self-interest and symbolic politics vary across the giver-taker continuum. We focus on one measure of each, income and symbolic racism. Prior work shows that the relationship between income and opposition to spending is positive at the individual level, and we expect that there are more rich people in giver states than taker states. In combination, these findings would encourage a negative relationship between opposition to spending and net outlays at the state level (i.e., they would be "anti-paradox"). Thus, if income is at all implicated in the spending paradox, it would be through a stronger correlation between income and opposition to spending in taker states than in giver states. This is plausible given the Gelman et al. (2008) finding that income is more strongly associated with Republican voting in poorer states. Thus, we expect the distribution of income and the strength of the effect of income across giver and taker states to act in crosscutting ways.

In the case of symbolic racism, we expect the distribution of these attitudes and the strength of their effect on opposition to spending to pull in the same direction. We expect there are more people who express symbolically racist attitudes in taker states than in giver states. There is a correlation between spending/tax ratios and legacies of strong, institutionalized racism. Of the 20 states that allowed racial segregation in schools on the eve of *Brown v. Board of Education*, 17 have been identified as takers in the popular and academic literature on "red state socialism."[5] This distribution would encourage a positive correlation between state-level opposition to spending and net outlays (i.e., it would be "pro-paradox") because, as Jacoby (1994, 2000) notes, the relationship between symbolic racism and opposition to spending is positive at the individual level. We also expect that attitudes of symbolic racism could more powerfully shape attitudes about spending among people who live in taker states (they would also be "pro-paradox").

4 Data and Methods

4.1 Taxes and Spending

Giver and taker states are defined by the amount of money they receive from the federal government relative to the amount they contribute in federal taxes. The ratio of outlays to taxes in giver states is less than 1, while the ratio in taker states is greater than 1. We calculate the ratio for each state by dividing mean spending across the years 2001 to 2010 by mean taxes across this same period. Throughout the paper, we refer to this as "the ratio," "spending/taxes" and "net outlays." The ratio ranges from 0.42 in Delaware to 2.91 in New Mexico, and the average is 1.35. For more details, see the Supplemental Information ("SI").

While we use the language of givers and takers for narrative ease, we are not particularly interested in this binary distinction. Many states have ratios near 1 and

[5]The exceptions are Florida, Texas, and Delaware.

change categories over this decade, even though inter-year correlations are very high. Category switching can stem from normal inter-year fluctuations, or changes in economic context. There was a general movement upward in state ratios after the 2008 financial crisis and passage of the American Recovery and Reinvestment Act (i.e., there were more takers in 2009 than 2007). We have no theoretical reason to believe there is a more meaningful difference between states with a ratio of 0.95 and 1.05 than between those with 1.05 and 1.15, for example. Thus, we analyze broad variation in the decade mean ratio of spending to taxes, rather than comparing the group of givers to the group of takers in any given year.

Our data on federal outlays to states come from the Census Bureau's Consolidated Federal Funds Report (CFFR) for 2001 through 2010. Federal expenditures fall into one of four categories: direct payments, grants-in-aid to state and local governments, procurement contracts, and salaries and wages.[6] Direct payments, in turn, fall into one of three subcategories: payments to individuals for retirement and disability only (e.g., federal employees' retirement and disability benefits, Social Security payments), payments to individuals other than for retirement and disability (e.g., Medicare benefits, unemployment compensation, the Supplemental Nutrition Assistance Program), and payments other than to individuals (e.g., employees' shares of federal employee life and health insurance premium payments). Grants-in-aid to states and local governments encompass both project and formula grants, including block grants. Thus, funds allocated through Temporary Assistance for Needy Families, Medicaid, and Head Start fall into this category. The CFFR includes American Recovery and Reinvestment Act ("stimulus") funds that fall under the CFFR's general scope of coverage.[7] There is variation across states in

[6]In general, grants-in-aid and procurements represent obligations and may not equal actual expenditures.

[7]Excluded from the CFFR are interest paid on debt, international payments and foreign

the amount and percentage of outlays received from the federal government in each category.

Data on state tax burdens come from IRS Databook Table 5, Internal Revenue Gross Collections by State. Total internal revenue collections, or total taxes paid, include corporate income tax, individual income tax, individual employment tax, estate tax, gift tax, and excise tax. The SI includes a detailed breakdown of taxes and spending by state.

4.2 Public Opinion

We measure opposition to general domestic spending using a question from the 2010 Cooperative Congressional Election Study (CCES), a large nationally representative survey of United States adults conducted by YouGov/Polimetrix (Ansolabehere 2010).[8] All of the questions we use come from the survey's "Common Content" section, which is administered to all respondents. The exact wording for our primary question of interest was as follows: "The federal budget is approximately $600 billion this year. If the Congress were to balance the budget it would have to consider cutting defense spending, cutting domestic spending (such as Medicare or Social Security), or raising taxes to cover the deficit. What would you most prefer that Congress do - cut domestic spending, cut defense spending, or raise taxes?" We generated a dummy variable measuring support for cutting domestic spending, coded 1 if people chose this option.[9]

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aid, expenditures that could not be geographically distributed, the international affairs function in the federal budget, and funds for the Central Intelligence Agency, the Defense Intelligence Agency, and the National Security Agency. The CFFR contains data on contingent liabilities (i.e., loans and insurance), but these are not included in our analysis.

[8]The four AAPOR response rates are: (1) 0.404; (2) 0.549; (3) 0.418; (4) 0.568.

[9]One might object to this question, since it offers "cut defense spending" as an alternative to "cut domestic spending," and our spending measure includes some non-domestic spending. However, we are confident that this is not a problem. While approximately 15%

To measure symbolic racism, we use the two standard racial resentment questions that are available on the 2010 CCES. The first asks people to place themselves on a five-point scale, ranging from strongly agree to strongly disagree in response to the following question: "The Irish, Italians, Jews and many other minorities overcame prejudice and worked their way up. Blacks should do the same without any special favors." The second question asks people to place themselves on the same five-point scale in response to the following question: "Generations of slavery and discrimination have created conditions that make it difficult for Blacks to work their way out of the lower class." We recoded the first variable so that higher values indicate higher levels of symbolic racism on both questions. We then combined answers to these questions into a symbolic racism index, which ranges from 2 (lowest level of symbolic racism) to 10 (highest level).

Additional variables are sex, race, age, education, income, ideology, party identification, Tea Party support, disability status, unemployment status, and receipt of government health insurance. Summary statistics for survey variables, as well as net outlays, are available the SI.

4.3 Estimating State-Level Opinion

Like most surveys, the CCES uses samples that are representative at the national, but not state level. To calculate opinion by state, we employ a two-stage technique called

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of total outlays are non-domestic, domestic outlays to states are very highly correlated with total outlays to states (99%). We ran our analysis using a ratio of spending to taxes based only on domestic spending, and got substantively identical results. We use the ratio of total spending to total taxes in the paper to be consistent with academic and popular work on this subject. For more information on the domestic-only analysis, see the SI. As an additional robustness check, we looked at support for stimulus spending—another very general category—and found the same relationship to the spending/tax ratio.

multilevel regression and poststratification (MRP), developed by Gelman and Little (1997) and refined by Park, Gelman and Bafumi (2004) and Lax and Phillips (2009, 2013), using the *mrp* package in R (Gelman, Malecki, Lee and Su 2014).

First, we estimate a multilevel model of individual opinion on spending as a function of respondent demographic characteristics and state characteristics. From this model, we can predict the likelihood that a particular type of respondent living in a particular state would want to cut domestic spending. For narrative ease, we refer to this as opposing spending. By partially pooling respondents across states and explicitly modeling the hierarchical structure of the data, the multilevel model allows us to use all of the information about each demographic variable in the data to learn about the association between that variable and the survey response.

Specifically, we model the probability of opposing spending as a function of demographic categories: gender (g=male, female), race (r=black, hispanic, white/other), age (a=18-29, 30-44, 45-64, 65+), education (e=less than high school, high school degree, some college, college degree, and post-graduate degree), and income (i=less than \$20,000, \$20,000-\$40,000, \$40,000-\$75,000, \$75,000-\$150,000, \$150,000+), plus state (50 states and the District of Columbia, indexed by s). This allows us to estimate survey responses for 30,600 different demographic-geographic types (indexed by c). The model is

$$Pr(y_c = oppose) = logit^{-1}(\beta + \alpha^{gender}_{g[c]} + \alpha^{race}_{r[c]} + \alpha^{age}_{a[c]} + \alpha^{education}_{e[c]} + \alpha^{income}_{i[c]} + \alpha^{state}_{s[c]})$$

Each demographic characteristic ($\alpha^{gender}_g, \alpha^{race}_r, \alpha^{age}_a, \alpha^{education}_e, \alpha^{income}_i$) is a modeled (or random) effect for respondents of that type. For example,

$$\alpha^{race}_r \sim N(0, \sigma^2_{race}), \text{ for } r = \text{ black, hispanic, white/other}$$

For state modeled effects, we allow the mean to be a function of a measure of

state-level public opinion liberalism (ideology):

$$\alpha_s^{state} \sim N(\beta^{ideo} ideology_s, \sigma^2_{state}), \text{ for } s = \text{Alabama, ... , Wyoming}$$

One can think of state modeled effects as a corrective for what a purely demographic model would predict about opinion. They account for the possibility that people's preferences are influenced not only by their personal demographic characteristics, but also their surroundings. An average white woman aged 18-29 with a high school diploma, making $20,000-$40,000 in Connecticut may have different preferences on spending than a woman with the same personal demographic characteristics living in Louisiana, for example.

State modeled effects can be a function of any number of state characteristics (e.g., average income, presidential vote, region, etc.). Lax and Phillips (2013) show that using one state-level predictor is sufficient to produce accurate state-level estimates, and their demographically-purged state predictor of opinion liberalism (*DPSP*) performs best.[10] *DPSP* is a vector of state random effects estimated from a demographic model of survey responses over a wide variety of issues—essentially, what is left over after accounting for the relationship between demographics and opinion liberalism. Unlike other possible predictors of state-level opinion, like presidential vote, *DPSP* is not itself correlated with demographics, and so it explains more of the residual variation in opinion that demographics cannot predict, making it a better corrective. One could interpret *DPSP* as a measure of state culture.

Estimating the individual model in stage one allows us to determine the predicted level of opposition to spending for each of the 30,600 demographic-geographic types created by our model (e.g., the probability that a black man from New York, aged 30-44

[10]Additional state-level predictors do not help, and sometimes hurt the accuracy of the estimates.

with a college degree, making $75,000-$150,000, will oppose spending). In the second stage, poststratification, we use these predictions to estimate the level of opposition to each type of spending at the state level. We do so by weighting the predicted opposition for each demographic-geographic type (θ_c) by the frequency of that type in each state (N_c), according to Census data. Thus, the MRP estimate of state-level opposition to spending is simply:

$$\text{opposition}^{\text{MRP}}_{\text{state, s}} = \sum_{c \in s} N_c \theta_c / \sum_{c \in s} N_c$$

Several studies have demonstrated MRP's accuracy in estimating state and even congressional district-level opinion (Park, Gelman and Bafumi 2004; Lax and Phillips 2009, 2013; Warshaw and Rodden 2012).[11]

5 Demonstrating the Spending Paradox

FIGURE 1 summarizes our estimates of state-level opposition to domestic spending in 2010. States labeled in gray (black) supported John McCain (Barack Obama) in the 2008 presidential election. The dotted vertical line marks the national average response, and the light gray horizontal lines indicate 95% confidence intervals for the estimates.[12]

[11]Buttice and Highton (2013) show that, for sample sizes of 1,500, MRP's performance depends on the strength of the state-level predictors and the ratio of interstate to total population variation. These issues diminish greatly in a sample of 10,000. The problems they identify should not affect our analysis, since our sample size is over 48,000.

[12]All national means reported in this paper are survey weighted averages of respondents who enter into the MRP model, those for whom we have complete demographic information. The confidence intervals are constructed using the sim() function in the *arm* package in R, which generates posterior simulations of model parameters (Gelman, Su, Yajima, Hill, Pittau, Zheng and Dorie 2014).

There is substantial variation across states, with opposition to spending ranging from 36% in New York to 54% in Utah.[13] While opposition to spending is clearly correlated with Republican presidential vote share, the party sort is not perfect. This underscores the point that Republican vote share is a rough substitute for opinion. Because national parties bundle issues in ways that pose dilemmas for individuals with cross-cutting preferences, a Republican vote does not necessarily suggest fiscal conservatism. In analyzing the relationship between opposition to spending and outlays, it is therefore important to use actual measures of state-level opinion rather than partisan proxies.

To confirm the paradox, we plot opposition to spending against the ratio of outlays to taxes in FIGURE 2.[14] The relationship is indeed positive. An increase of 10 percentage points in opposition to spending is associated with an additional $0.37 in outlays per tax dollar.[15] For a state with an average tax burden, this would have meant an additional $17.1 billion in outlays from the federal government in 2010.

In sum, we find there is in fact a spending paradox at the state level. States whose populations express greater opposition to federal spending tend to get more money, per tax dollar, from the federal government. By estimating state-level opinion on spending, we are able to show that this paradox is not simply an illusion stemming from the use of a proxy for opinion in Republican vote share. Looking at opinion specifically on spending, we still find a tension between attitudes and outlays.

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[13]If anything, MRP's partial pooling understates cross-state variation, especially if the true range is large and if the sample size is small. Given data limitations, one can minimize shrinkage by using a state level predictor when creating the estimates, as we do (Lax and Phillips 2013).

[14]Examining opinion data from 2008, 2011, and 2012, we found the same relationship.

[15]The slope of the line in FIGURE 2 is 0.037 (*s.e.* 0.020).

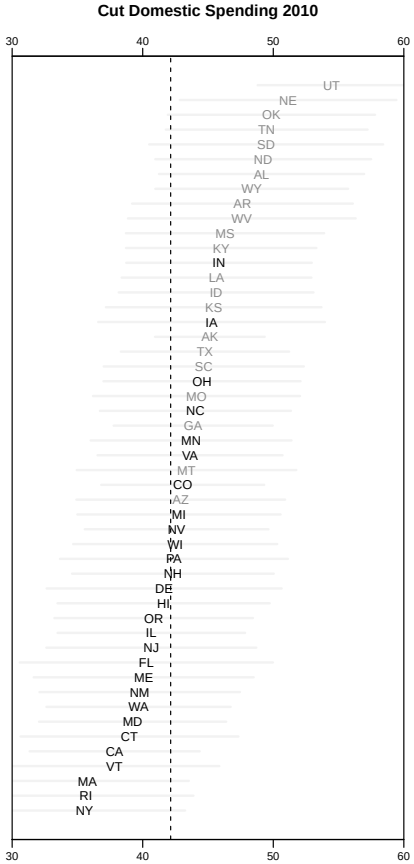

Figure 1: Opposition to Spending by State. This graph plots our estimates of state-level opposition to spending with 95% confidence intervals.

The question now is, why? We begin our inquiry by examining determinants of opposition to spending at the individual level, and proceed to show how key characteristics aggregate to the state level.

6 Opposition to Spending at the Individual Level

While it might seem obvious that people who are more likely to benefit from federal spending would be more likely to support it, popular narratives on "red state socialism" suggest that people oppose spending in a hypocritical or irrational way. We examine the role of self-interest by looking at income, employment status, disability status, and

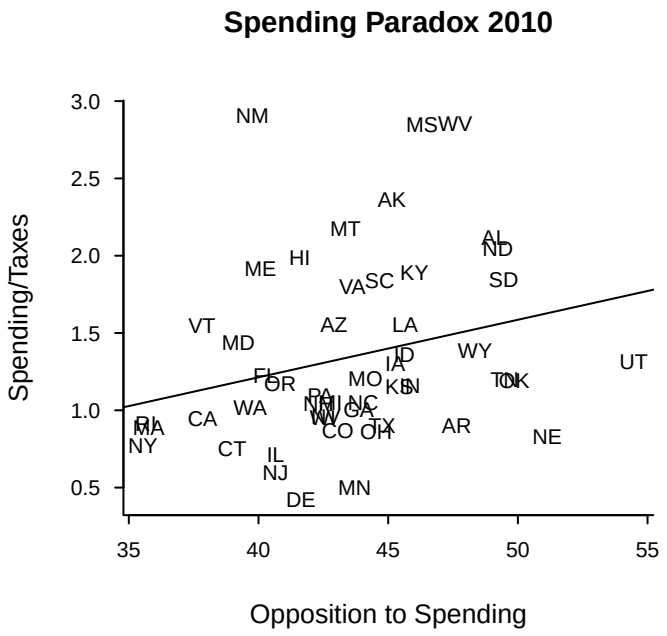

Figure 2: The Spending Paradox. This graph plots state-level opposition to spending against the ratio of federal outlays to federal taxes for each state. The solid black line shows the linear relationship.

reported receipt of government health insurance (Medicaid or Medicare).[16] We also consider symbolic factors that could draw people away from their economic self-interest.

We begin with a logit, modeling desire to cut domestic spending as a function of demographic characteristics (sex, age, race, education, and income), as well as the aforementioned measures of economic self-interest, partisanship, ideology, and symbolic

[16]Our indicators for *Unemployed* and *Disabled* were created based on responses to the following question: "Which of the following best describes your current employment status?" Our dummy for *Government Health Insurance* is coded as 1 if people responded to the question "Do you currently have health insurance" with "Yes, through a government program, such as Medicare or Medicaid." Summary statistics are available in the SI.

racism.[17] Results are displayed in FIGURE 3. For continuous variables, we subtracted the mean and divided by two standard deviations to facilitate comparison of their coefficients with each other and with those on binary variables (Gelman and Hill 2007, 57). Thus, the unit for the continuous variables is two standard deviations.

Examining the coefficients from Model 1 (represented by black dots), we can see that wealthier people are more likely to want to cut spending.[18] This makes sense, since they are likely to benefit less from spending. We also find sensible correlations between support for spending and our other measures of self-interest: unemployment, disability, and having government health insurance. People with these characteristics are less likely to oppose spending. As expected, Republicans and conservatives are much more likely to want to cut spending than independents and moderates, while Democrats and liberals are much less so.

We turn now to evaluate our theory that symbolic racism conditions people's

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[17]People are coded as *Black* if they identify as black, and *Hispanic* if they identify as Hispanic, but not black. Those who identify as black and Hispanic are coded as black. Anyone who does not identify as black or Hispanic is coded as 0. We include dummy variables for *Republican* and *Democrat* (the base category is *Independent*), and for *Liberal* and *Conservative* (the base category is *Moderate*). *Age* is the respondent's reported age in years. *Income* has 14 categories, ranging from "less than $10,000" (category 1) to "$150,000 or more" (category 14). *Education* is coded the same way in this model as in the first stage of MRP. Summary statistics are available in the SI.

[18]The model shows that black and Hispanic respondents are more likely to oppose spending, relative to whites and those of other races. However, these coefficients must be interpreted with caution, as they report the association with opposition to spending, conditional on symbolic racism (an odd all-else-equal comparison). In a model excluding symbolic racism, these coefficients are negative, as one would expect.

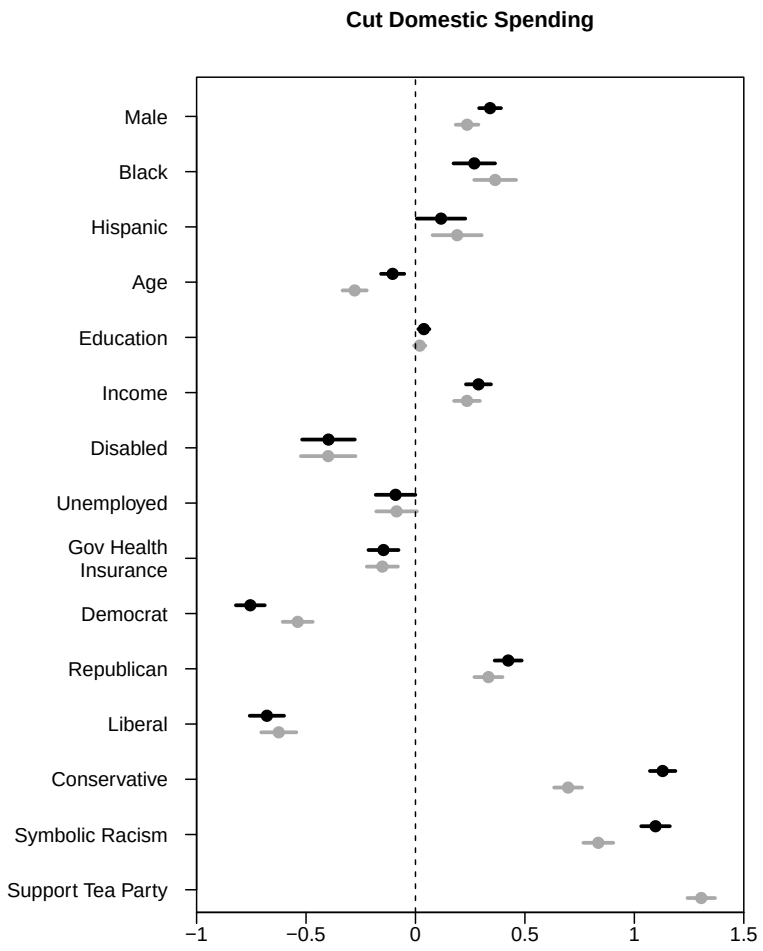

Figure 3: Coefficient Plot. This graph plots coefficients from two variants of a logit model.

thinking about government spending. As hypothesized, symbolic racism is associated with greater opposition to spending, even controlling for party, ideology, and several measures of economic self-interest.[19] The size of the association, relative to other factors, is striking—racial resentment has a more powerful influence on attitudes about spending than every other factor except conservatism. Notably, symbolic racism is four times as powerful as income when it comes to attitudes on spending. It is also much larger than

[19]This model uses an index of symbolic racism, created from two different measures of symbolic racism. We ran the same model with each individual measure, and found the same results.

the other measures of self-interest, like unemployment.

Some have argued that symbolic racism is simply extreme political conservatism by another name (see, e.g., Sniderman and Tetlock 1986; Hurwitz and Peffley 1998). To examine this possibility, we run another logit model, adding Tea Party support.[20] As Model 2 (represented by gray dots) demonstrates, racial resentment is still statistically and substantively significant—it is the third largest coefficient, after Tea Party support and general conservatism. It also remains more than three times as powerful as income. Symbolic racism is not simply a proxy for extreme political conservatism. Controlling for ideology and conservatism specifically related to spending, racial resentment still matters. This is a strong finding, since Barreto et al. (2011) and Williamson, Skocpol and Coggin (2011) find that racial attitudes are also related to Tea Party support (but see Arceneaux and Nicholson 2012).

7 Aggregating to the State Level

Having shown that economic self-interest and symbolic politics both contribute to opposition to spending at the individual level, we now examine the dynamics of their aggregation to electorally relevant "public opinion." As explained earlier, the distribution of these characteristics across state populations could vary across the giver-taker continuum. The strength of their associations with opposition to spending could also vary across giver and taker states.

[20]The exact question wording was: "What is your view of the Tea Party movement—would you say it is very positive, somewhat positive, neutral, somewhat negative, or very negative or don't you know enough about the Tea Party movement to say?" We created a dummy variable for Tea Party support, coded 1 if people view it as very positive or somewhat positive, 0 otherwise.

7.1 Aggregating Income

We begin our aggregation analysis by examining the distribution of income across states. The left-hand graph in FIGURE 4 shows the percentage of people in each state with incomes below $20,000, and the right-hand graph shows the percentage with incomes above $150,000.[21] Since giver states have more high income people (who are more likely to oppose spending) and fewer low income people (who are less likely to oppose spending), one might think that the spending paradox exists in spite of, not because of the influence of income on attitudes about spending.

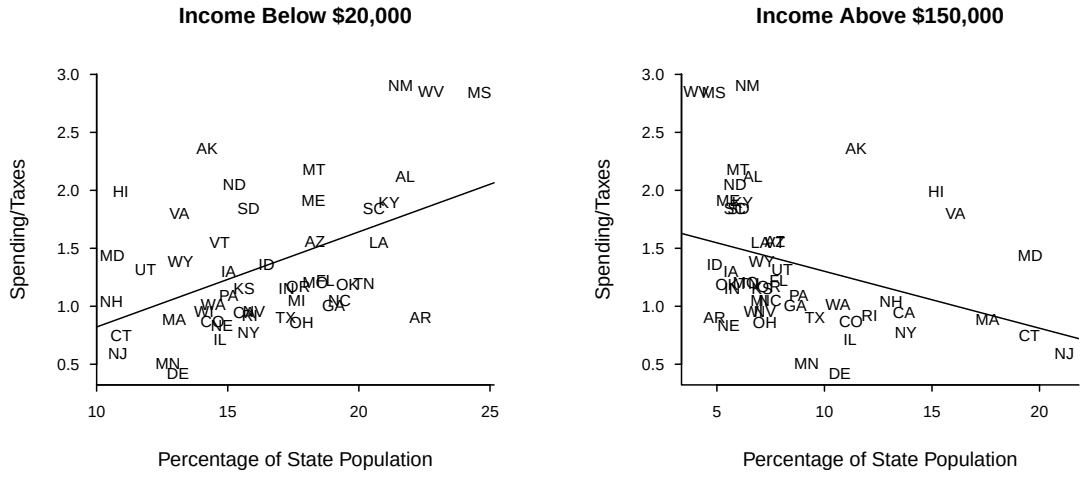

Figure 4: Distribution of Income. This graph plots the slope on income for each state from Model 3, in which the effect of income is allowed to vary by state ratio of spending to taxes, against the ratio of spending to taxes in each state.

However, this is not the case—the strength of income's association with opposition to spending varies across giver and taker states in a way that contributes to the spending paradox. We analyze this variation by running the multilevel model detailed below, which predicts opposition to spending for an individual (i) in a state (s) as a function of the variables in Model 1 from our individual analysis in Section 6, plus state net outlays. We

[21]These percentages were calculated using 2010 Census data.

call this Model 3:

$$Pr(y_{is} = oppose) = logit^{-1}(\mathbf{x}\beta + \gamma_{\mathrm{s}} income_{\mathrm{is}} + \alpha_{\mathrm{s}} + \epsilon_{\mathrm{i}}). \tag{3}$$

We allow the coefficient on income to vary by state net outlays, so we can see if income has a stronger association with individual opinion on spending in states with higher spending/tax ratios. In this model, **x** is a matrix of all of our individual level predictors except for income. γ_s is the vector of coefficients on income, which vary by state, as a function of state net outlays:

$$\gamma_{\mathrm{s}} = \theta_0^{\gamma} + \theta_1^{\gamma} outlays_{\mathrm{s}} + e_{\mathrm{s}}^{\gamma}. \tag{3a}$$

α_{s} is a vector of state-level intercepts, which also vary by state, as a function of net outlays:

$$\alpha_{\mathrm{s}} = \theta_0^{\alpha} + \theta_1^{\alpha} outlays_{\mathrm{s}} + e_{\mathrm{s}}^{\alpha}. \tag{3b}$$

We find that the relationship between income and an individual's likelihood of opposing spending is positive in almost every state. That is, higher income people are more likely to oppose spending no matter where they live. However, the strength of the association varies across the giver-taker continuum.[22] FIGURE 5 plots the slope on income for each state on the y-axis against net outlays on the x-axis.[23] The solid black line shows

[22]Another way to think about varying slopes here is as an interaction between individual income and state net outlays. This interaction can be seen by substituting equation 3a for γ_{s} in equation 3.

[23]The coefficients on the individual-level variables (e.g., age) in this model are substantively the same as in Model 1 in Section 6.

the linear relationship (characterized by equation 3a), which is positive and statistically significant.[24] Income has stronger relationship with attitudes about spending in taker states than giver states.[25] Consider, for example, the relationship between income and opposition to spending in Alabama (which lies around the 75th percentile of taker states) versus New York (which lies around the 75th percentile of giver states). The slope on income in Alabama is 0.21, compared to 0.01 in New York. This means that a two standard deviation increase in income in Alabama corresponds to (at most) a five percentage point increase in the probability that a person opposes spending, while the same difference in income has almost no impact on the likelihood that a person opposes spending in New York.[26] In sum, the particularly strong relationship between income and opposition to spending in taker states, and weaker relationship between income and opposition to spending in giver states, contributes to the spending paradox.

To summarize, the distribution of income across state populations pulls against a paradoxical correlation between state-level opposition and net outlays. There are more rich people in giver states than taker states, and more poor people in taker states than giver states. However, the strength of the association between income and opinion on spending varies across states in a way that contributes to the spending paradox. People

[24]The slope of this line is our estimate of θ_1^{γ} in equation 3a, 0.05 (*s.e.* 0.02).

[25]The coefficient on net outlays in equation 3b (θ_1^{α}) is -0.01 (*s.e.* 0.02). There is no significant difference across the giver-taker continuum with respect to intercepts; that is, after taking all of these factors into account, there is no remaining difference in the baseline level of opposition to spending across giver and taker states.

[26]In a logistic regression, one can divide a coefficient by 4 to estimate the upper bound of that variable's effect, where the logic curve is steepest (Gelman and Hill 2007). The unit is two standard deviations because we standardized our continuous variables by subtracting the mean and dividing by two standard deviations.

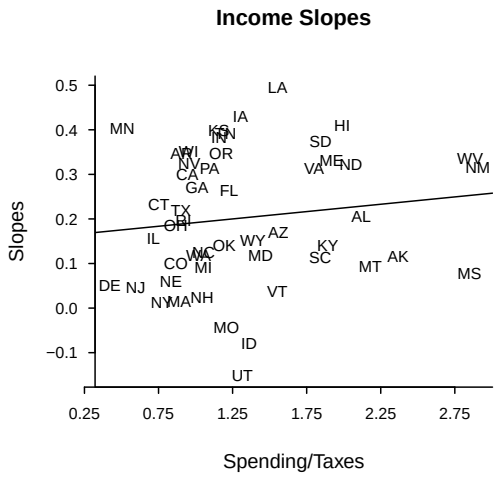

Figure 5: Slopes for Income. This graph plots the slope on income for each state from Model 3, in which the effect of income is allowed to vary by state ratio of spending to taxes, against the ratio of spending to taxes in each state.

with higher incomes are more likely to oppose spending in almost every state, but this is particularly true in taker states. The strength of this association drives up opposition to spending in taker states relative to giver states.

7.2 Aggregating Symbolic Racism

Symbolic racism also contributes to the state-level paradox we document, but in the opposite way as income. Whereas the distribution of income across state populations mitigates the spending paradox, the distribution of symbolic racism exacerbates it. The left-hand graph in FIGURE 6 plots the percentage of people in the lowest two categories of symbolic racism on the x-axis and the ratio of spending to taxes on the y-axis. The right-hand graph plots the percentage of people in the highest category of symbolic racism on the x-axis against the ratio of spending to taxes on the y-axis.[27] The negative slope in the left-hand graph shows that people with low symbolic racism scores make up

[27]We estimated these state level percentages using MRP. The underlying individual model is the same as for our estimates of opinion on spending.

a smaller percentage of taker state populations than giver state populations, while the positive slope in the right-hand graph shows that people with high symbolic racism scores constitute a larger percentage of taker state populations than giver state populations. These relationships are statistically significant.[28] Recall from the individual analysis that symbolic racism is a very powerful predictor of opposition to spending, four times as strong as income. This makes the distribution of symbolic racism across state populations an important driver of the paradoxical correlation between state-level opposition to spending and net outlays.

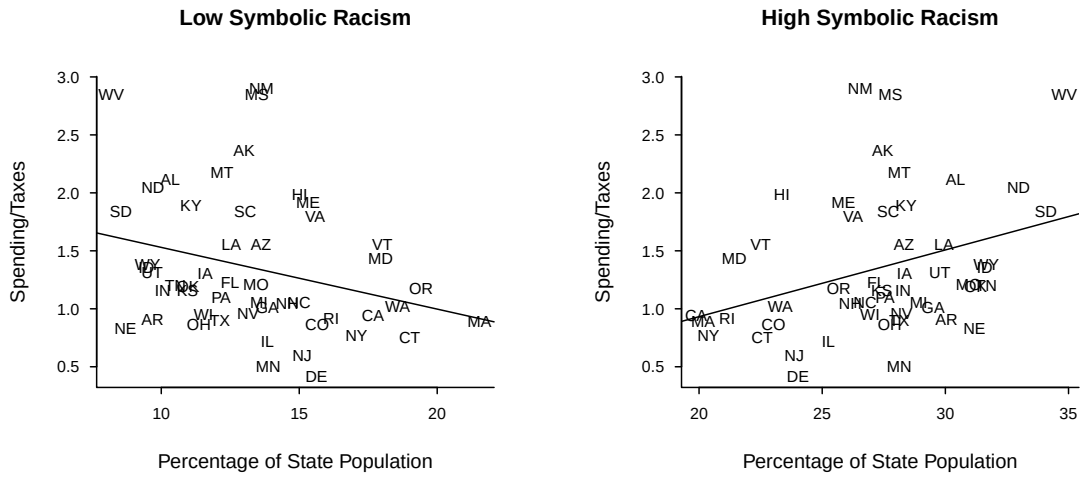

Figure 6: Distribution of Symbolic Racism Scores Across State Populations. The left-hand graph plots the percentage people in the lowest two symbolic racism categories against the ratio of spending to taxes. The right-hand graph plots the percentage of people in the highest symbolic racism category against the ratio.

To analyze cross-state variation in the strength of the relationship between symbolic racism and individual opposition to spending, we run another multilevel model (Model 4) that is the same as Model 3, except instead of allowing the coefficient on income to vary by state ratio of outlays to taxes, we allow the coefficient on symbolic racism to vary in

[28]The slope of the line in the left-hand graph is -0.05 (*s.e.* 0.02). The slope of the line in the right-hand graph is 0.06 (*s.e.* 0.02).

this manner. FIGURE 7 plots the coefficient of symbolic racism on an individual's likelihood of opposing spending for each state, from Model 4, against the ratio of spending to taxes. The association between symbolic racism and opinion on spending is different in giver and taker states, but not in the way we expected.[29] The relationship between the slopes on symbolic racism and the ratio of spending to taxes is actually negative. That is, symbolic racism is a less powerful predictor of opposition to spending in taker states than giver states. Consider, for example, the difference between New Jersey and Mississippi. The slope for New Jersey is 0.59, so a two standard deviation increase in symbolic racism is associated with an approximately 15 percentage point increase in the likely of opposing spending. In contrast, the same size increase in symbolic racism is associated with an approximately 11 percentage point increase in the likelihood that a Mississippi resident opposes spending. While the distribution of people expressing racially resentful attitudes heightens the spending paradox, the strength of the relationship across giver and taker states lessens it.

8 Conclusions and Next Steps

Using MRP to estimate state-level opinion on federal spending, we offer the first systematic documentation of an important puzzle in contemporary American politics: that opposition to federal spending is higher in states receiving more federal money, per tax dollar paid. The popular interpretation of this paradox is that public preferences on spending do not make sense. Whether they do or do not is of popular and academic interest, as public opinion often plays a role in elected officials' decision-making. Since we can neither draw conclusions about individuals from state-level relationships nor assume that individual-level relationships will translate straightforwardly to the state level, understanding the spending paradox requires examining determinants of individual

[29]The slope of the line in the left-hand graph is -0.04 (*s.e.* 0.02), and the slope of the line in the right-hand graph is 0.00 (*s.e.* 0.02).

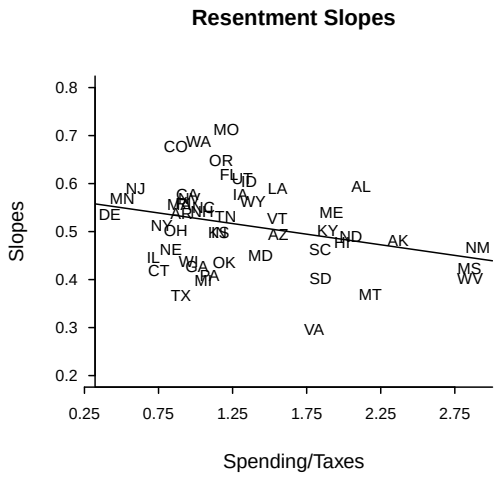

Figure 7: Slopes for Symbolic Racism. This graph plots the slopes for each state from Model 4, in which the effect of racial resentment is allowed to vary by the ratio of spending to taxes in each state, against the ratio of spending to taxes in each state.

opposition to spending, and then carefully analyzing their aggregation to the state level.

We begin our investigation by showing that a combination of rational cost/benefit thinking and symbolic politics influence individuals' attitudes about spending. Contrary to the popular narrative, but consistent with prior academic work at the individual level, opinion on spending is not completely nonsensical—the more people are likely to benefit, the more they tend to support spending. However, there is more to opinion on spending than economic factors. Symbolic racism is four times as powerful as income in explaining opposition to spending. Our findings warn against exaggerating the commonly drawn distinction between fiscal and social politics. Fiscal issues are not beyond the reach of illiberal social forces like racial resentment. Indeed, we show that symbolic racism shapes people's thinking about spending, even after accounting for partisanship, ideology, and Tea Party support, which are themselves associated with racial attitudes.

Our individual-level findings are consistent with prior work. It is well established in the academic literature that economic self-interest and racial attitudes shape people's opinions about all kinds of issues, including government spending. However, there is only

so much we can learn about fiscal politics from individual-level analyses. Individual opinion does not affect lawmaking. Public opinion affects lawmaking. And, as we show, individual and public opinion are not the same thing.

Analyzing the path from individual to public opinion can reveal important and surprising insights. We find, in the case of income, there are more wealthy people in giver states than there are in taker states, and wealthy people are more likely to oppose spending. Therefore, the distribution of income across states does not help to explain the spending paradox. But, wealthy people in taker states are even more likely to oppose spending than wealthy people in giver states, where in some cases income plays almost no role in shaping spending attitudes. In the case of symbolic racism, we find the reverse. It is the distribution of people expressing this set of attitudes across giver and taker states that contributes to the spending paradox. People are more likely to express racially resentful attitudes in taker states, and these people are more likely to oppose spending.

Our analysis reveals new puzzles in the realm of public opinion and fiscal politics. Why are rich people in taker states so conservative on spending, relative to those in giver states? Why does racial resentment matter less in taker states, many of which have strong legacies of institutionalized racism? We know a lot about how individual attributes affect political attitudes. We need to know more about how people's political environments affect how they weigh their many different interests (e.g., with respect to sex, race, income, etc.) in formulating opinions on important issues. The next frontier in public opinion research is to put people in their place, geographically. States have different populations and different politics. Both of these things affect how individual opinion translates to public opinion.

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Epilogue:
The Spending Paradox in Historical Perspective

May 14, 2015

Our paper documents a positive relationship between state-level opposition to federal spending and net federal outlays to states, a phenomenon we have termed the "spending paradox." This relationship is interesting, since it is counter-intuitive, and important, since it produces odd mandates for many members of Congress representing poor states, and may help to explain some of the chaos afflicting contemporary fiscal politics. Adding intrigue, we suspect there is a temporal dimension to the paradox—that the puzzling correlation between opposition and outlays we observe in the wake of the Great Recession did not exist following the Great Depression. This epilogue explains why we expect to find a temporal dimension, offers preliminary evidence for its existence, and explores a few temporal comparisons to reveal some of the questions we'll need to address in our larger project in order to explain the changing dynamics of fiscal politics over the postwar period.

1 The Temporal Dimension of the Spending Paradox

There are good reasons to believe the spending paradox is a contemporary phenomenon. Southern members of Congress were once instrumental in passing groundbreaking redistributive and Keynesian measures. Aside from bills involving matters of race and labor, southern lawmakers "favored by significant margins virtually all the fiscal, regulatory, planning, and welfare state measures of the New Deal and Fair Deal" (Katznelson, Geiger and

Kryder 1993, 293). Indeed, their cooperation was essential for the New Deal's success, as southern representatives wielded a "structural veto" over Congress during this period (Katznelson, Geiger and Kryder 1993; Farhang and Katznelson 2005). While perhaps surprising to the modern eye, southern representatives' support for the New Deal made sense, since their relatively poor region would benefit greatly from investment, new infrastructure, and social welfare outlays. Today, in contrast, many elected officials from these (still poor) states have castigated the Affordable Care Act and other programs that would presumably benefit their constituents.

We begin our investigation of the spending paradox's temporal dynamics by analyzing public opinion in the late 1930s, to see if southern lawmakers' support for New Deal programs reflected broader support for federal spending in the region. Our opinion data for this preliminary analysis come from a poll conducted by the Gallup Organization from January 22-27, 1939 on a national sample of 3,148 adults.[1] Respondents were asked, "Do you think the Federal Government is spending too much, too little, or about the right amount of money at this time?" Respondents were coded as opposing spending if they chose the first option. Since this poll did not include information about education or income, we included occupation in our individual model of opinion (the first stage of MRP). We also included two state predictors, region and Democratic presidential vote share in 1936, to account for the two dimensions of ideology known to be active at this time.[2] State-level opposition to spending ranges from 37% in South Carolina to 62% in North Dakota. This range is slightly larger than the range in 2010 (36% to 54%). Nevertheless, in both years, many state majorities were wary of federal spending, even after a major economic crisis.

[1]These data were collected using different techniques than are employed (or considered acceptable) by pollsters today. Whereas modern "probability sampling" techniques theoretically give every citizen the same chance of being surveyed, producing reasonably representative samples, the "quota-controlled sampling" techniques typically employed before the 1950s produced less representative samples (Berinsky 2006; Berinsky et al. 2011). Additional work is needed to verify the accuracy of the preliminary estimates presented here. Part of this project will involve coming up with "best practices" for using MRP on quota-sampled survey data.

[2]This variable has five categories: professional, white collar, labor, other, and unemployed. We would have liked to include more categories, but were limited by the need for comparable categories in the survey and census data.

To measure net spending, we calculated the mean ratio of federal outlays to federal taxes for each state over the five year period between 1936 and 1940.[3] The range is very large, from 0.08 in Delaware to 29.57 in North Dakota (for the period from 2001-2010, the range was 0.42 to 2.91). This means that for every dollar contributed in taxes, Delaware only received eight cents in federal outlays, while North Dakota received almost thirty dollars. North Dakota and South Dakota have much higher ratios than any other state—29.57 and 22.90, respectively, compared to 10.70 for Mississippi, the third highest state—so we have temporarily excluded them from our analysis.

FIGURE 1 plots opposition to spending against the ratio of spending to taxes, with a black solid line indicating the linear relationship. This preliminary analysis suggests that there was indeed no spending paradox following the Great Depression. In fact, we see the opposite pattern in the late 1930s that we see in the contemporary era. States netting more federal money opposed federal spending less.

While more work is needed to confirm these results, they do provide preliminary support for our hypothesis that the spending paradox is a contemporary phenomenon. It is neither an intrinsic feature of American politics, nor a byproduct of economic crisis. The real question, then, is not just why the spending paradox, but why now and not before? This paper and its epilogue represent the first steps in a larger project addressing this critical question. For clues on where to start looking for answers, we can dig a little deeper into changes in opinion and net spending over time.

[3]The CFFR, our source of spending data for the contemporary era, only dates back to 1983. However, analogous data are available for earlier years through the annual Report of the Secretary of the Treasury. This analysis uses the total from the table entitled, "expenditures made by the government as direct payments to states, etc. under cooperative arrangements during the fiscal year [X]." This includes payments from the Department of Agriculture, Department of Interior, Department of Labor, Navy Department, Treasury Department, and other independent offices (e.g., Social Security, payments to states under the Federal Water Power Act, etc.). Our tax data for this analysis come from the last column of Table 1 of the Annual Report of the Commissioner of Internal Revenue for the years 1936 to 1940 (entitled "Grand Total of all Internal Revenue Taxes").

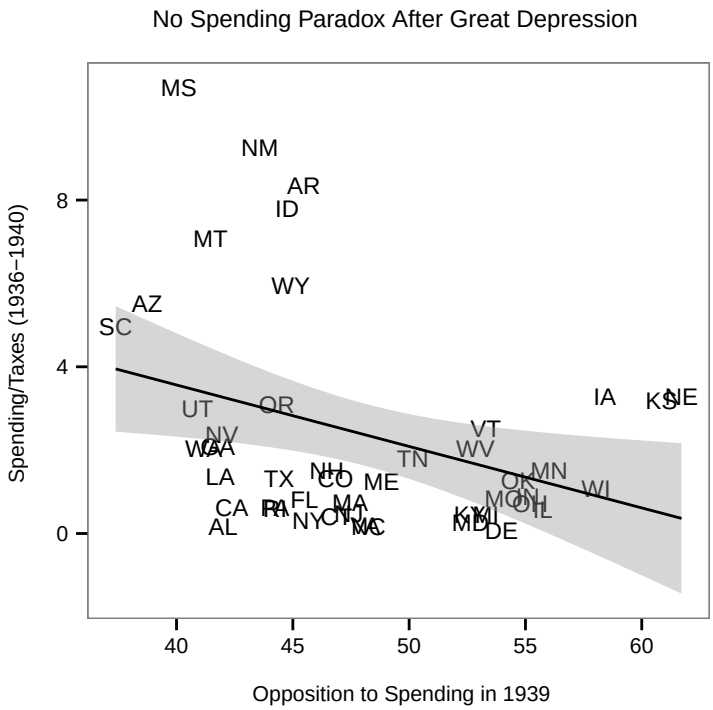

Figure 1: No Spending Paradox After the Great Depression. This graph plots opposition to spending in 1939 against net outlays to states at this time. The solid line shows the linear relationship, which is negative, and the gray shading around the line represents a 95% confidence region. Opposition to federal spending was lower in states receiving more money, per tax dollar, from the federal government.

2 Analyzing Changes Over Time

In the preliminary analysis that follows, we break states down by region because there are strong theoretical reasons to believe southern and northeastern states might have driven the development of the contemporary spending paradox. Gelman et al. (2007, 2008) show that wealthier states tend to support the party of redistribution today, prompting the quip, "What's the matter with Connecticut?". And rich people in rich states are less opposed to spending than rich people in poor states. Were affluent northeasterners so persuaded by New Deal ethos that they grew less opposed to spending over time, even though they and their states tend not to benefit from redistribution? It's possible, and could lead to a positive correlation between state-level support for spending and net outlays to states.

We might also expect southern states to contribute to the development of the spending paradox. Illiberal intricacies of New Deal programs encouraged benefits to flow disproportionately to whites (Quadango 1996; Mettler 1998; Lieberman 2001; Katznelson 2005; Ward 2005; Poole 2006). And, of course, Jim Crow institutions imposed racial segregation on many public services like education and transportation. Under these circumstances, one might argue there would have been little reason for racial attitudes to enter the calculus of opinion on spending. As these discriminatory institutions eroded, racial attitudes may have permeated people's thinking about spending. It would make sense to see a particularly significant rise in opposition to spending in states with Jim Crow legacies, even if these states still strongly benefitted from spending, because people in these states would be especially sensitive to the democratization of spending across racial lines.

The left-hand graph in FIGURE 4 plots the change in each state's spending/tax ratio between the late 1930s and 2000s. The vertical dashed line marks the point of no change. States to the right of this line (i.e., those with positive values) receive more money, on net, from the federal government today than they did in the late 1930s, while states to the left of this line (i.e., those with negative values) receive less. Outside the northeast, there have been significant changes in net spending. And outside the west, these changes have been fairly balanced between positive and negative values. That is, some states within each region benefit more from federal spending today than they did in the late 1930s, while other states in the region benefit less. Southern states might be a little worse off today, on average, but Mississippi and Arkansas are driving that trend. The remaining southern states are fairly balanced. Midwestern states are skewed to the left of zero, but not dramatically so. In contrast, western states clearly net less federal money today than they did in the late 1930s.

There have been significant changes in state-level opinion on federal spending as well, but the pattern is different for opinion than for net spending. The right-hand graph in FIGURE 4 plots changes in state-level opposition to federal spending between 1939 and

2010, with the vertical dashed line marking the point of no change. Positive values indicate that opposition has increased over time, while negative values indicate it has decreased. In the northeast and midwest, all of the change has been negative. That is, opposition to spending has decreased in every northeastern and midwestern state—for many, by 10 percentage points or more. Changes have been more balanced in the south and west, with opposition to spending increasing in some states and decreasing in others.

What relationship, if any, exists between these two types of change? FIGURE 2 plots changes in net spending against changes in opinion, with a solid black line indicating the linear relationship. Dashed lines mark the point of no change on both axes, creating four quadrants. It would be reasonable for opposition to spending to have increased over time in states that are worse off today than before, with respect to net spending. In other words, we might expect to see many states in the top left quadrant. It would also make sense for states that are better off today, with respect to net spending, to be less opposed to spending now than before (locating them in the bottom right quadrant of the graph). Overall, these expectations are generally correct—the slope of the solid line is negative.

But, there are also many states outside these two "rational" quadrants. Why might this be? The popular narrative on "red state socialism" suggests many states would be in the top right quadrant—getting more, and also complaining more today than before. Aside from Alabama, however, this quadrant is empty. Most of the "irrational" states are worse off now than they were before, but oppose spending less than they once did. Interestingly, these are mostly western and midwestern states. Here, the question is not so much "what's the matter with Connecticut"—which actually benefits more from spending today than it did in the New Deal era—but "what's the matter with Nebraska" (or, incidentally, Kansas, though not in the sense suggested by Thomas Frank).

This doesn't necessarily mean that northeastern and southern states have nothing to do with the development of the spending paradox. Here, we have compared states to themselves at two time points, while our spending paradox analysis compares states to

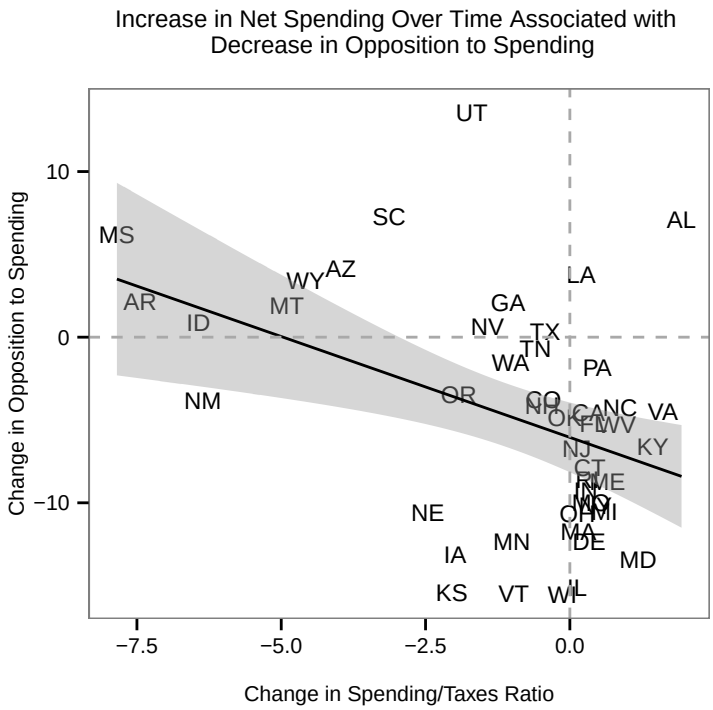

Figure 2: Relationship between Changes in Net Spending and Opposition to Spending. This graph plots changes in net spending (shown in the left-hand graph in FIGURE 4) against state-level opposition to spending (shown in the right-hand graph in FIGURE 4.) The solid line shows the linear relationship, which is negative, and the gray shading around the line represents a 95% confidence region.

each other. Moreover, this rough data exploration is also based on preliminary state-level estimates of opposition to spending after the Great Depression. Yet, these results suggest the spending paradox story may be more complex than we originally thought. Race clearly plays a role in shaping individual attitudes on spending, but this analysis suggests that to understand the spending paradox, we will need to look beyond the region whose politics have been most strongly shaped by issues of race. FIGURE 4 shows that opposition to spending has increased over time only in about half of the states in the south. And, this variation is strongly associated with changes in southern states' net receipt of federal money. FIGURE 3 plots the same information as in FIGURE 2, but for southern states only. Almost all southern states fall into the bottom left and top right quadrants (the "rational" ones), and the overall relationship between changes in net receipt of federal money and

opposition to spending is negative. In general, increases in opposition to spending are associated with a loss of net spending in southern states.

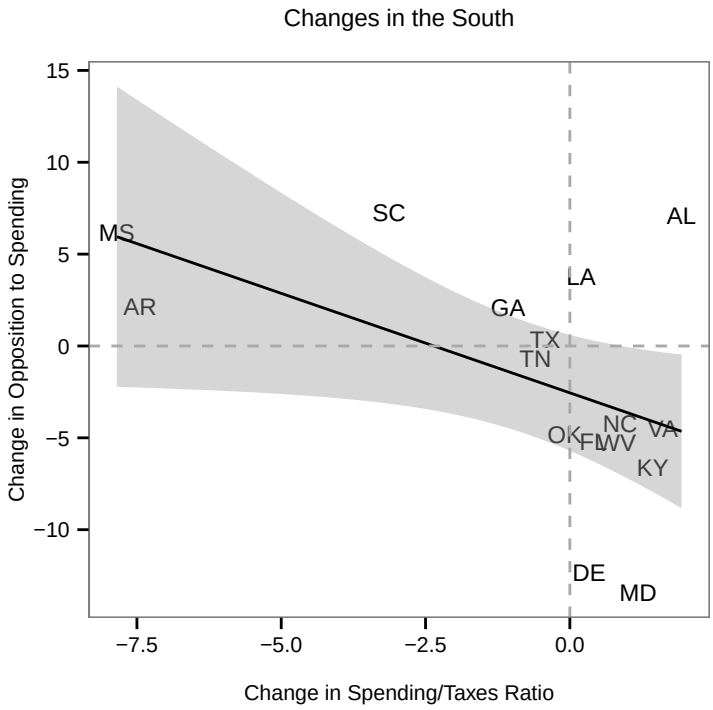

Figure 3: Relationship between Changes in Net Spending and Opposition to Spending in the South. This graph plots changes in net spending (shown in the left-hand graph in FIGURE 4) against state-level opposition to spending (shown in the right-hand graph in FIGURE 4) for states in the south. The solid line shows the linear relationship, which is negative, and the gray shading around the line represents a 95% confidence region.

3 Next Steps

We are currently working on two project modules to help us better understand the spending paradox. First, we have nearly completed a large data processing effort that will enable us to fill out the time series between 1939 and 2010. That is, we are working to trace the spending paradox from the New Deal to the present. When and how did it emerge? Was it a gradual development, or did it appear suddenly? Answering these questions can offer clues regarding its origins. Second, we will be running an original survey on spending this summer that includes open ended questions and various experiments. The survey is de-

signed to dig into people's attitudes about spending, to find out what comes to mind when they are asked general questions about spending, who they think benefits from spending, what they think is at stake in increasing or reducing spending, and whether people are willing to give up otherwise beneficial spending if any part of it is directed toward racial minorities. We welcome suggestions on these, and other ways to move forward!

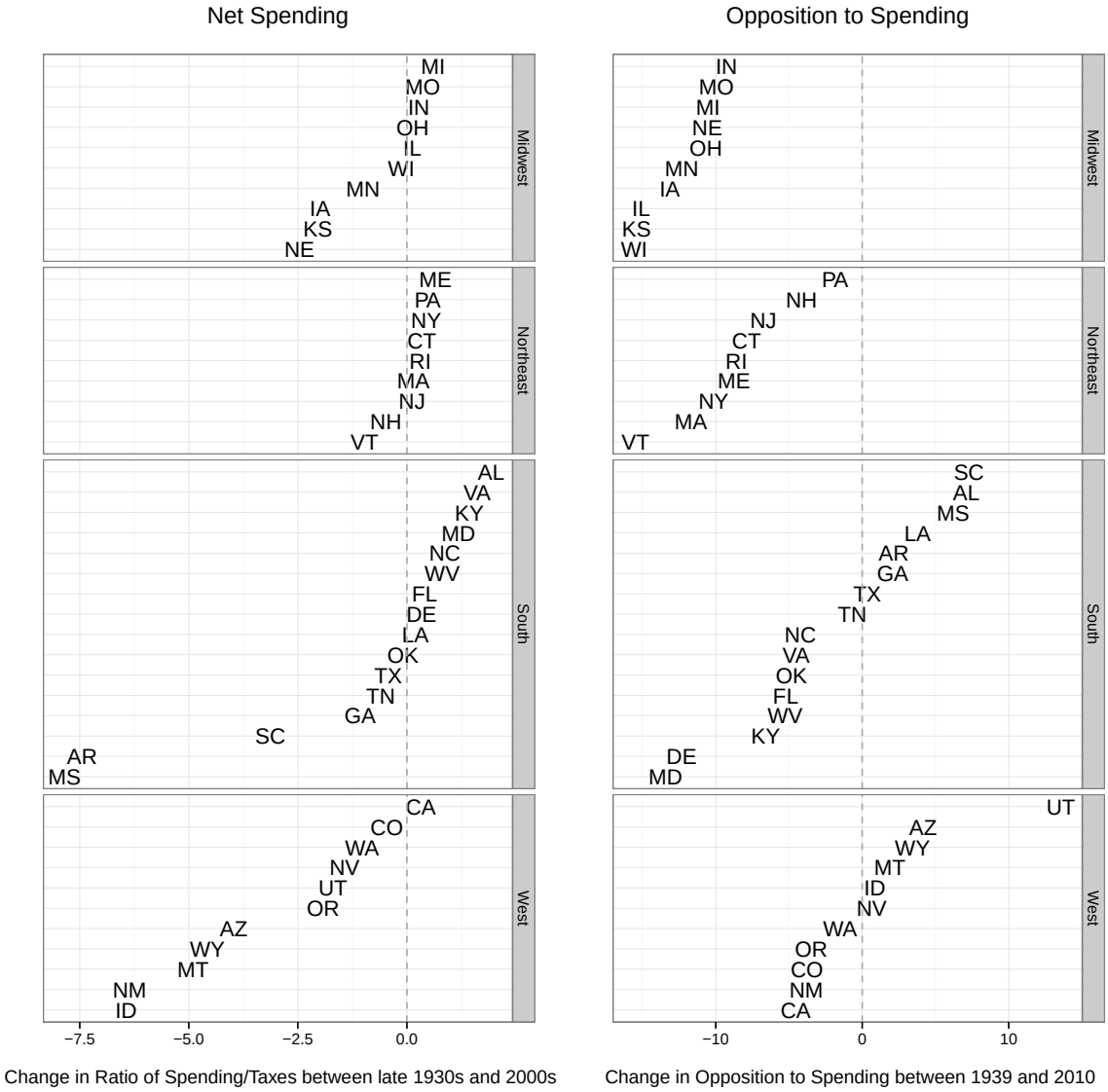

Figure 4: Changes Over Time. The left-hand graph plots the change in each state's ratio of spending to taxes between the late 1930s and 2000s. Positive values indicate that a state receives more money, on net, from the federal government today than it did in the late 1930s, while negative values indicate a state receives less. The right-hand graph plots the change in state-level opposition to federal spending between 1939 and 2010. Positive values indicate that opposition has increased over time, while negative values indicate it has decreased.

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