

Norman Schofield · Gonzalo Caballero · Daniel Kselman *Editors*

Advances in Political Economy

Institutions, Modelling and Empirical Analysis

This book presents latest research in the field of Political Economy, dealing with the integration of economics and politics and the way institutions affect social decisions. The focus is on innovative topics such as an institutional analysis based on case studies; the influence of activists on political decisions; new techniques for analyzing elections, involving game theory and empirical methods.

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875 will lose centrist voters. The party must therefore determine the “optimal marginal
876 condition” to maximize vote share. Theoretical results give this as a (first order)
877 *balance condition*. Moreover, because activist support is denominated in terms of
878 time and money, it is reasonable to suppose that the activist function will exhibit
879 decreasing returns. When these activist functions are sufficiently concave, then the
880 vote maximizing model will exhibit a Nash equilibrium.³⁴

881 It is intrinsic to the model that voters evaluate candidates not only in terms of the
882 voters’ preferences over intended policies, but also in terms of electoral judgements
883 about the quality of the candidates. These judgements are in turn influenced by the
884 resources that the candidates can raise from their activist supporters.

885 Grossman and Helpman (1996), in their game theoretic model of activists, con-
886 sider two distinct motives for interest groups:

887 Contributors with an *electoral motive* intend to promote the electoral
888 prospects of preferred candidates, [while] those with an *influence motive* aim
889 to influence the politicians’ policy pronouncements.
890

891 In the activist model the term $\mu_j(z_j)$ influences every voter and thus contributes
892 to the electoral motive for candidate j . In addition, the candidate must choose a
893 position to balance the electoral and activist support, and thus change the position
894 adopted. This change provides the logic of activist influence.

895 We argue that the influence of activists on the two candidates can be characterized
896 in terms of activist gradients.

897 Because each candidate is supported by multiple activists, we extend the activist
898 model by considering a family of potential activists, $\{A_j\}$ for each candidate, j ,
899 where each $k \in A_j$ is endowed with a utility function, U_k , which depends on candi-
900 date j ’s position z_j , and the preferred position of the activist. The resources allo-
901 cated to j by k are denoted $R_{jk}(U_k(z_j))$. Let $\mu_{jk}(R_{jk}(U_k(z_j)))$ denote the effect
902 that activist k has on voters’ utility. Note that the activist valence function for j is
903 the same for all voters. With multiple activists, the *total activist valence function* for
904 candidate j is the linear combination $\mu_j(z_j) = \sum_{k \in A_j} \mu_{jk}(R_{jk}(U_k(z_j)))$.

905 Bargains between the activists supporting candidate j then gives a *contract set*
906 of activist support for candidate j , and this contract set can be used formally to
907 determine the *balance locus*, or set of optimal positions for each candidate. This
908 balance locus can then be used to analyze the pre-election contracts between each
909 candidate and the family of activist support groups. Below we define the balance
910 condition, and argue that suggests that the aggregate activist gradients for each of
911 the two candidates point into opposite quadrants of the policy space.

912 Consider now the situation where these contracts have been agreed, and each
913 candidate is committed to a set of feasible contracts as outlined in Grossman and
914 Helpman (1996). Suppose further that the activists have provided their resources.
915 Then at the time of the election the effect of this support is incorporated into the
916 empirical estimates of the various exogenous, socio-demographic and trait valences.

918 ³⁴A Nash equilibrium is a vector of candidate positions so that no candidate has a unilateral incen-
919 tive to deviate so as to increase vote share.
920

921 Consequently, when we estimate these valences we also estimate the aggregate activist
 922 influence. The estimated positions of the candidates can then be regarded as
 923 incorporating policy preferences of the activists.

924 Electoral models where candidates have policy positions, as proposed by
 925 Wittman (1977), Calvert (1985), Duggan and Fey (2005), and Duggan (2006) im-
 926 plicitly assume that candidates would be willing to accept defeat because of an
 927 adherence to particular policy positions. We argue that it is more plausible that
 928 the estimated positions of the candidates are the result of maximizing candidate
 929 utility functions that balance the electoral consequences of position-taking with
 930 the necessity of obtaining activist resources to contest the election. This calcu-
 931 lation requires an estimate of the degree to which these resources will influence
 932 the perceptions that the electorate has of the various valences associated with the
 933 model.

934 A recent literature on elections has focused on the effects of campaign expendi-
 935 ture on US election results.³⁵ Herrera et al. (2008) suggest that electoral volatil-
 936 ity forces candidates to spend more, while Ashworth and Bueno de Mesquita
 937 (2009) suppose that candidates buy valence so as to increase their election chances.
 938 Meirowitz (2008) notes that “candidates and parties spending this money thought
 939 that it would influence the election outcome. Downsian models of competition can-
 940 not explain how candidates choose spending campaign levels or what factors influ-
 941 ence these decision.” Meirowitz proxies the choice of expenditure in terms of can-
 942 didate choice of effort, but his model does not explicitly deal with an endogenous
 943 budget constraint.

944 To apply the above model, suppose there are two dimensions of policy, one eco-
 945 nomic, and one social. These can be found by factor analysis of survey data as
 946 indicated above.

947 As Fig. 5 indicates, we can represent the conflicting interests or bargains between
 948 the two activist groups of supporters for the Republican Party, located at R and C ,
 949 by a “contract curve.” This represents the set of policies that these two groups would
 950 prefer their candidate to adopt. It can be shown that this contract curve is a *catenary*
 951 whose curvature is determined by the eccentricity of the utility functions of the
 952 activist groups. We call this the *Republican contract curve*. The Democrat activist
 953 groups may be described by a similar contract curve. (This is the simplest case with
 954 just two activist groups for each candidate. This idea can be generalized to many
 955 activist groups.)

956 The first order condition for the candidate positions (z_{dem}^*, z_{rep}^*) to be a Nash
 957 equilibrium in the vote share maximizing game is that the party positions satisfy
 958 a *balance equation*. This means that, for each party, $j = dem$ or rep , there is a
 959 weighted electoral mean for party j , given by the expression

$$z_j^{el} = \sum_i \varpi_{ij} x_i.$$

964 ³⁵See Coate (2004) for example. An earlier paper by Groseclose and Snyder (1996) looked at vote
 965 buying, but in the legislature.

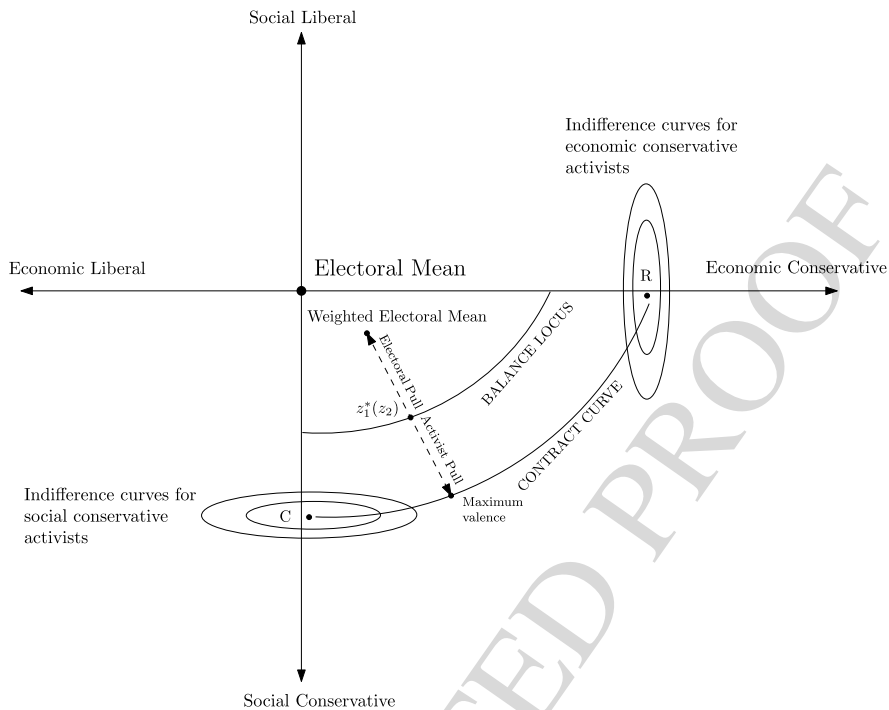


Fig. 5 Optimal Republican position

This is determined by the set of voter preferred points $\{x_i\}$. The coefficients $\{\omega_{ij}\}$ for candidate j will depend on the position of the other candidate, k . The *balance equation* for each j is then given by:

$$[z_j^{el} - z_j^*] + \frac{1}{2\beta} \left[\frac{d\mu_j}{dz_j} \Big|_z \right] = 0.$$

Here we call $[z_j^{el} - z_j^*]$ the *electoral gradient for party j*, since in the absence of activist resources, the equilibrium condition would be given by the condition

$$[z_j^{el} - z_j^*] = 0.$$

The second term in this expression is called the *activist gradient for party j*. We suggest that this first order condition will guarantee that the vector $\mathbf{z}^* = (z_{dem}^*, z_{rep}^*)$ will then be a *pure strategy Nash equilibrium of the vote maximizing political contest*.

In the model for the 2008 election given in Table 5, we used a simulation procedure and found that the equilibrium for the model (4) in Table 5 was given by the vector

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$$\mathbf{z}^{el} = \begin{bmatrix} & McCain & Obama \\ x & +0.13 & +0.10 \\ y & -0.12 & -0.07 \end{bmatrix}.$$

However, as discussed above, and shown in Table 3, the estimated candidate positions were given by

$$\mathbf{z}^* = \begin{bmatrix} & McCain & Obama \\ x & 0.59 & -0.22 \\ y & -0.37 & +0.75 \end{bmatrix}.$$

Assuming that \mathbf{z}^* reflects the influence of activists, then we obtain an estimate of the activist gradient of

$$\begin{aligned} \frac{1}{2\beta} \left[\frac{d\mu}{dz} \right] &= \mathbf{z}^* - \mathbf{z}^{el} \\ &= \begin{bmatrix} & McCain & Obama \\ x & 0.59 & -0.22 \\ y & -0.37 & +0.75 \end{bmatrix} - \begin{bmatrix} & McCain & Obama \\ x & +0.13 & +0.10 \\ y & -0.12 & -0.07 \end{bmatrix} \\ &= \begin{bmatrix} & McCain & Obama \\ x & +0.46 & -0.32 \\ y & -0.25 & +0.82 \end{bmatrix}. \end{aligned}$$

The activist mean positions are

$$\mathbf{z}^{act} = \begin{bmatrix} & Rep & Dem \\ x & 1.41 & -0.20 \\ y & -0.82 & +1.14 \end{bmatrix}.$$

This suggests that activists pull Republican candidates to the lower right quadrant of the policy space, while Democrat activists pull the Democrat candidate to the upper left of the policy space.

Similar conclusions can be made about Congressional elections. In the following sections we discuss the conflicts that ensue between a Democratic President and Congress.

4 Post 2008 Election

Despite Democratic majorities in both houses of Congress the precise policy outcomes from President Obama's administration were still initially dependent on the degree to which Republicans in the Senate blocked Democratic policies through the use of the filibuster. Early in his administration some of Obama's policy initiatives successfully passed through Congress but only after navigating Republican opposition in the Senate. For example, on January 15, 2009, the Senate voted 52 against

1059 and 42 in support of Obama's economic recovery program. On February 6, 2009
1060 an agreement was reached in the Senate to reduce the size of the stimulus bill to
1061 \$780 billion, in return for the support of three Republican senators. On February 9
1062 the Senate did indeed vote by the required majority of 61 to halt discussion of the
1063 stimulus bill, thus blocking a filibuster. A compromise bill of \$787 billion, including
1064 some tax cuts, was agreed upon by both the House and Senate within a few days; the
1065 bill passed the House with 245 Democrats voting in favor and 183 Republicans vot-
1066 ing against while the Senate passed it with just 60 votes. The bill was immediately
1067 signed by President Obama.

1068 As Obama commented afterwards:

1069 Now I have to say that given that [the Republicans] were running the show
1070 for a pretty long time prior to me getting there, and that their theory was tested
1071 pretty thoroughly and its landed us in the situation where we've got over a
1072 trillion dollars' worth of debt and the biggest economic crisis since the Great
1073 Depression, I think I have a better argument in terms of economic thinking.
1074

1075 On February 26, 2009 Obama proposed a 10 year budget that revised the priori-
1076 ties of the past, with an estimated budget deficit for 2009 at \$1.75 trillion (over 12 %
1077 of GDP). It included promises to address global warming and to reverse the trend of
1078 growing inequality. The \$3.6 trillion Federal budget proposal passed the House on
1079 April 2, 2009 by 233 to 196, with even "blue dog" conservative Democrats support-
1080 ing it, but no Republicans.

1081 Obama's social policies even received a modicum of success; on January 22,
1082 2009 a bill against pay discrimination passed the Senate 61 to 36. The House also
1083 gave final approval on February 4, by a vote of 290 to 135, to a bill extending health
1084 insurance to millions of low-income children. Forty Republicans voted for the bill,
1085 and 2 Democrats voted against it. When the bill was signed by President Obama, it
1086 was seen as the first of many steps to guarantee health coverage for all Americans
1087 but it was not clear that the battle over broader healthcare legislation would take
1088 most of 2009.

1089 Obama gained another important victory when the Senate confirmed Sonia So-
1090 tomayor as Supreme Court Justice on August 6, 2009, by a vote of 68 to 31. She
1091 is the first Hispanic and the third woman to serve on the Court. Similarly, Obama
1092 nominated another woman, Elena Kagan, to the high court and she was confirmed
1093 almost exactly one year after Sotomayor on August 7, 2010 by a vote of 63 to 37.
1094 Though adding two left-leaning female justices to the court has increased the num-
1095 ber of women on the Supreme Court to an all time high of 3, it has not fundamentally
1096 changed the ideological makeup of the current court which still regularly splits 5 to
1097 4 in favor of more right-leaning rulings.

1098 In October, 2009, one group identifying as populist Republicans, the "Tea Party"
1099 activists opposed Obama's policies on health care so much that they began lining up
1100 against the centrist Governor Charlie Crist in the GOP Senate primary. Ultimately,
1101 Crist was forced to become an Independent and a Tea Party darling, Marco Rubio,
1102 was nominated as the GOP candidate for the Florida Senate seat (and ultimately
1103 won the seat, beating Crist handily). Similarly, on November 1, 2009 the centrist
1104

1105 Republican candidate, Dede Scozzafava, decided to drop out of the special election
1106 in New York's 23rd congressional district and endorse the Democrat candidate, Bill
1107 Owens. Owens won the election in a district that had been Republican since 1872.

1108 As the Healthcare debate heated up over summer and fall of 2009 it became clear
1109 that Republicans were intending to continue utilize their blocking coalition as long
1110 as possible to stymie Obama and the Democrats. Interestingly, some Democrats
1111 contributed to this opposition as well; in the health bill vote in the House in early
1112 November 2009, 219 Democrats with 1 Republican voted for the bill, while 176 Re-
1113 publicans and 39 "Blue Dog" Democrats voted against.³⁶ By December 19, Senator
1114 Bernie Sanders of Vermont, an independent who caucuses with the Democrats, as
1115 well as Democrat Senators Ben Nelson and Sherrod Brown, had agreed to a com-
1116 promise bill. This brought the size of the coalition to the critical size of 60 votes,
1117 sufficient to force a decision in the Senate.³⁷ Finally on Christmas Eve, 2009, the
1118 health bill passed in the Senate, again by 60 votes with 39 Republicans opposed.
1119 However, the victory by Republican Scott Brown in the special Senate election in
1120 Massachusetts on January 19 deprived the Democrats of the 60 seat majority re-
1121 quired to push through the legislation. On February 25, 2010, an attempt to reach
1122 a bipartisan compromise failed, and there was talk of using a manoeuvre known as
1123 "reconciliation" to force though a health bill using simple majority rule.³⁸ Finally,
1124 on March 25, after strenuous efforts by President Obama and House speaker, Nancy
1125 Pelosi, the House voted 220–207 to send a health care bill to the President. Repub-
1126 licans voted unanimously against the legislation, joined by 33 dissident Democrats.
1127 The Senate passed the bill by simple majority of 56 to 43, as required under rec-
1128 onciliation and the President signed a draft of the bill, the "Patient Protection and
1129 Affordable Care Act," on March 23, 2010 and an updated version of the bill on
1130 March 30, 2010.³⁹

1131 While it seemed that "gridlock" ensued over the health care legislation, several
1132 other major pieces of legislation passed with far less opposition. On February 22,
1133 2010 and again on March 17, 2010 the Senate voted 62–30 and 68–29 respectively
1134 to implement two multi-billion-dollar "jobs creation" programs. Even though the
1135 vote to end debate on the Financial Regulation bill failed to obtain the required
1136 supra-majority on May 19, 2010, it eventually passed the Senate. On July 15, 2010
1137 the Senate voted 60–39 for the Dodd–Frank Wall Street Reform and Consumer Pro-
1138 tection Act, and this was signed into law by President Obama on July 21.

1141
1142 ³⁶On Saturday, November 21, the Senate voted 60 to 40, along partisan lines, to move to the final
1143 discussion on the health care bill.

1144 ³⁷Cloture is a motion aimed at bringing debate to an end. It originally required a two-thirds major-
1145 ity, but since 1975 has required a super-majority of 60.

1146 ³⁸Reconciliation is a measure whereby a bill can pass the Senate with a simple majority; the leg-
1147 islation must be shown to be budget neutral over a ten-year span in accordance with the Byrd
1148 rule.

1149 ³⁹Contrary to expectations the Supreme Court upheld the constitutionality of the health care act by
1150 5 to 4 on June 28, 2012.

1151 Nearing the end of the 111th Congress in November, 2010, there remained four
 1152 major bills to put through Congress: A Deficit Reduction Act, an Expanded Trade
 1153 and Export Act, a Comprehensive Immigration Act, and an Energy Independence
 1154 and Climate Change Act. Despite passage by the House on June 26, 2009, the
 1155 Waxman-Markey climate change bill, formally called the American Clean Energy
 1156 and Security Act (ACES), never reached action in the Senate. On July 22, 2010, the
 1157 effort to push forward with the Climate Change Act collapsed due to Republican
 1158 opposition to a carbon tax. A major problem also remained with regard to the Bush
 1159 tax cuts of 2001 and 2003, which were due to expire at the end of 2010. If these
 1160 bills, and the resolution of the tax cuts, were to prove impossible to enact because
 1161 of Republican opposition, the electorate could blame either party or simply oppose
 1162 any incumbent due to their lack of efficacy at passing legislation.

1163 Given these uncertainties surrounding policy choices in the legislature, it is
 1164 hardly surprising that voters in the United States doubt that government can be ef-
 1165 fective. Part of the problem would appear to be the degree of political polarization
 1166 that results from the power of interest groups located in the opposed quadrants of
 1167 the policy space.
 1168
 1169

1170 ***4.1 Impact of the ‘Citizens United’ Decision in 2010***

1171
 1172
 1173 As a result of the Supreme Court decision, *Citizens United v. Federal Election Com-*
 1174 *mission*, on January 21, 2010, which removed limits on campaign contributions, it is
 1175 clear that the importance of activist contributions will only increase. In the Novem-
 1176 ber, 2010 mid-term election large amounts of money were funneled through non-
 1177 profit advocacy groups that can accept unlimited donations and are not required to
 1178 disclose their donors. As of November 1, 2010, it was estimated that these groups
 1179 had spent \$280 million, 60 % from undisclosed donors. Three “super PAC” Repub-
 1180 lican activist groups, the US Chamber of Commerce, American Crossroads and the
 1181 American Action Committee had spent \$32.8 million, \$26.6 million and \$17 million
 1182 respectively.⁴⁰

1183 In his State of the Union address in late January, President Obama said the
 1184 court had “reversed a century of law that I believe will open the floodgates for spe-
 1185 cial interests—including foreign corporations—to spend without limit in our elec-
 1186 tions.”⁴¹ Dworkin (2006) later called the Supreme Court decision “an unprincipled
 1187 political act with terrible consequences for the nation.”

1188 In July, 2010, the Federal Election Commission had approved the creation of two
 1189 “independent” campaign committees, one each from the left and right, expressly
 1190 designed to take advantage of the lack of spending limits. One committee was set
 1191

1192 ⁴⁰The pro-Democrat America’s Families First Action Committee raised \$7.1 million.

1193 ⁴¹Supreme Court Justice Samuel Alito, appointed by George W. Bush, broke from traditional judi-
 1194 cial decorum at State of the Union speeches to shake his head in disagreement with the President,
 1195 reportedly muttering the words “that’s not true.”
 1196

up by the Club for Growth, the conservative advocate for low taxes and less government. The other, called Commonsense Ten, with close ties to the Democrats, will raise money from individuals, corporations and unions. Both groups will be able to spend unlimited amounts, thanks to the *Citizens United* decision. A Democrat effort to impose new campaign finance regulations before the November congressional election was defeated on July 27 when all 41 Senate Republicans blocked a vote on a bill that would force special interest groups to disclose their donors when purchasing political advertisements. A second attempt at cloture on the bill failed by 59 to 39 in the Senate on September 23.

Former Bush advisors, Karl Rove and Ed Gillespie, first formed American Crossroads as a 527 independent-expenditure-only committee, but was required to disclose donors. They then formed Crossroads Grassroots Policy Strategies (GPS) as a 501(c)(4) social welfare nonprofit. This means it does not need to disclose donors, but is not supposed to be used for political purposes. GPS spent \$17 million. The Chamber of Commerce is a 501(c)(6) nonprofit, but corporations that donate to the Chamber must disclose these contributions in their tax filings. These corporations include Dow Chemical, Goldman Sachs, Prudential Financial. The most highly publicized was a singular donation in excess of \$1 million from Rupert Murdoch's News Corporation.

In addition to the external activist groups, South Carolina Senator, Jim DeMint, used the Senate Conservatives Fund as a PAC to funnel about \$1 million to many of the most right-wing of the Tea Party candidates. Indeed, a key element of the successful Republican campaign was that these activist bodies were able to target House and Senate races where incumbent Democrats were weak.

In the 2010 election cycle total campaign spending was about \$4 billion, with Republican spending somewhat higher than total Democrat spending. The extremely high level of expenditure (especially for a midterm election) is of particular interest because there is evidence that the policy positions of activists on the social axis have become more polarized over the last forty years (Layman et al. 2010). This polarization appears to have benefited the wealthy in society and may well account for the increase the inequality in income and wealth distribution that has occurred (Hacker and Pierson 2006, 2010; Pierson and Skocpol 2007; Reich 2010).

5 Implications of the 2010 Election

In the midterm elections the electorate blamed incumbents, particularly Democrats, for their economic woes. In November, 2010, the Democrats lost 63 seats in the House, leading to a Republican majority of 242 to 192. In the Senate the Democrats lost 6 seats but retained a majority of 51 to 46 (with 3 Independents).⁴² Many of

⁴²This was the backlash predicted by Bunch (2010). However, the Democrat losses may be due to the spending pattern. The *New York Times* analysis suggested that in 21 House districts where groups supporting Republican candidates spent about \$2 million, they won 12.

1243 the newly elected members of Congress received the backing of the Tea Party and
 1244 vocally subscribed to extreme policy stances like abolishing the Federal Reserve,
 1245 unemployment benefits, and even income taxes. Further, preliminary demographic
 1246 studies of the Tea Party indicate that they are predominantly older, middle class
 1247 suburban and rural white Americans.⁴³ This demographic make-up leads one to
 1248 postulate that the Tea Party is a representation of a populist movement supported
 1249 primarily by elites in the South and West. Although tea party supporters are opposed
 1250 to deficit spending, they generally are supportive of social security and medicare,
 1251 and want to reduce the deficit by cutting other programs. Perhaps most striking
 1252 about the Tea Party is the immediate impact they had on Congress itself with the
 1253 Republican House leadership creating a special leadership post for a Representative
 1254 from the Tea Party wing.

1255 Because of the plurality nature of the US electoral system, parties have to build a
 1256 winning coalition of mobilized disaffected activists and current party activists Many
 1257 of the Tea Party activists see themselves as conservative independents that are op-
 1258 posed to big business. This is despite the fact that large corporations and wealthy in-
 1259 dividuals heavily funded many of the Tea Party candidates campaigns. Even before
 1260 the 112th Congress entered session the Republican Party stood up for the wealthy
 1261 benefactors by insisting on blocking all legislation during the lame duck session un-
 1262 til the wealthiest two percent of Americans received the same extension on their tax
 1263 cuts that the other 98 percent were set to receive. This Republican measure included
 1264 blocking discussion on repealing the “Don’t Ask, Don’t Tell” legislation, immigra-
 1265 tion reform legislation, a nuclear arms treaty and even legislation allocating funds
 1266 to provide healthcare to September 11, 2001 first responders.

1267 In an effort to close his career with parting advice about compromise, retiring
 1268 Connecticut Senator Chris Dodd gave his valedictory speech on the Senate floor on
 1269 November 30, 2010 with remarks including the following:

1270 From the moment of our founding, America has been engaged in an eternal
 1271 and often pitched partisan debate. That’s no weakness. In fact, it is at the core
 1272 of our strength as a democracy, and success as a nation. Political bipartisanship
 1273 is a goal, not a process. You don’t begin the debate with bipartisanship—
 1274 you arrive there. And you can do so only when determined partisans create
 1275 consensus—and thus bipartisanship. In the end, the difference between a par-
 1276 tisan brawl and a passionate, but ultimately productive, debate rests on the
 1277 personal relationships between Senators.

1278 Another elder statesman in the Senate, Indiana’s Richard Lugar, clearly felt the
 1279 same way as Senator Dodd after the 2010 election as he defied the Republican
 1280 Party over their various demands. Senator Lugar has said that the environment in
 1281 Washington was the most polarized he had seen since joining the Senate in 1977.
 1282 John C. Danforth, the former Republican senator from Missouri, remarked that

1284 ⁴³Skocpol and Williamson (2010) have been collecting survey and interview data on the Tea Party
 1285 since its emergence and although their findings are only preliminary, all indications are that Tea
 1286 Party members are a very specific demographic sub-group with traditional populist concerns. See
 1287 also Rasmussen and Schoen (2010).
 1288

1289 If Dick Lugar, having served five terms in the US Senate and being the most
1290 respected person in the Senate and the leading authority on foreign policy, is
1291 seriously challenged by anybody in the Republican Party, we have gone so far
1292 overboard that we are beyond redemption.

1293 In May of 2012 Senator Lugar lost a primary election to Tea Party candidate
1294 Richard Mourdock. Lugar was the first six-term Senator to lose a primary election
1295 in 60 years.

1296 Despite increased polarization, President Obama continued to press for any leg-
1297 islative accomplishment within reach, he eventually struck a deal to allow the tax
1298 cuts to be extended for all Americans (in exchange for an extension of unemploy-
1299 ment benefits) despite the fact that even the most positive economic forecasts do not
1300 predict that these tax cuts to the wealthy will bring unemployment down by more
1301 than 0.1 percent over the two year lifespan of the tax cut extension. This compromise
1302 angered many in the liberal wings of Democratic Party as they saw compromise as
1303 a betrayal of President Obama's progressive values. In the wake of persistent at-
1304 tack by several prominent liberal Democrats, Obama invited former President Bill
1305 Clinton to give a White House press conference in support of the compromise. In-
1306 volving the former President in this way can be seen as either an act of desperation
1307 or an attempt by the administration to harken back to the 1990's (or earlier) when
1308 compromise was an acceptable political tactic.⁴⁴

1309 On Monday December 13, 2010 the Republican bargaining ploy worked. The
1310 Senate voted to halt debate on the tax cut bill. Other provisions of the \$858 bil-
1311 lion bill would extend unemployment insurance benefits and grant tax breaks for
1312 schoolteachers, mass transit commuting expenses and landowners who invest in
1313 conservation techniques. The compromise bill overwhelmingly passed the Senate on
1314 December 15 by a vote of 81 to 19. Despite accusations by House Speaker, Nancy
1315 Pelosi, that Republicans were forcing Democrats "to pay a king's ransom in order
1316 to help the middle class" at midnight on December 16 the measure passed with 139
1317 Democrats and 138 Republicans in favor and 112 Democrats and 36 Republicans
1318 opposed. President Obama signed the bill into law the next day.

1319 After this initial compromise was struck, the logjam seemed to have broken as
1320 Congress began debate on repealing "Don't Ask, Don't Tell," on the passage of the
1321 nuclear arms treaty, and on temporary measures to continue funding the federal gov-
1322 ernment into 2011. This step toward compromise and productivity irked Senators
1323 Jon Kyl (Republican from Arizona) and Jim DeMint (Republican from South Car-
1324 olina) who criticized Majority Leader Harry Reid (Democrat from Nevada) for "dis-
1325 respecting" the institution and the Christmas holiday by putting so much work on
1326 the Congressional docket that Senators might need to return to work during the week
1327 between Christmas and New Year. These statements by Senators Kyl and DeMint
1328 provide a stark reminder of the roadblocks to compromise in activist driven politics.
1329 House and Senate Republicans derailed a \$1.2 trillion spending measure put for-
1330 ward by Senate Democrats, and promised to use their majority in the new House to
1331

1332 ⁴⁴It is worth noting that the Founding Fathers repeatedly cited the need for compromise as one of
1333 the greatest strengths of the US political system.

shrink government. On December 21 Congress did approve a temporary spending bill up until March 2011.

On December 18, the “Dream Act” to allow illegal immigrant students to become citizens failed on a Senate vote of 55–41, but the Senate did vote 65 to 31 to repeal the “Don’t Ask, Don’t Tell” legislation, making it possible for gays to serve openly in the military. The House had previously approved this repeal by 250 to 175.

On December 20, the Senate voted 59 to 37 to reject an amendment to the new arms control treaty, New Start, with Russia. The amendment would have killed the treaty because any change to the text would have required the United States and Russia to renegotiate the treaty. Two days later the Senate voted 71 to 26 for the treaty. This treaty was seen as the most tangible foreign policy achievement of President Obama’s administration. Thirteen Republicans joined a unanimous Democratic caucus to vote in favor, exceeding the two-thirds majority required by the Constitution.

As Obama said:

I think it’s fair to say that this has been the most productive post-election period we’ve had in decades, and it comes on the heels of the most productive two years that we’ve had in generations. If there’s any lesson to draw from these past few weeks, it’s that we are not doomed to endless gridlock. We’ve shown in the wake of the November elections that we have the capacity not only to make progress, but to make progress together.

However, the Democrats in Congress increasingly represent the richest and the poorest constituencies, while the Republican Party is no longer the party of the wealthy but of the disillusioned middle class and the ultra-wealthy. Given the results of the 2010 elections, it is no surprise that a highly divided Congress and increasingly activist driven politics has resulted in escalating partisan conflict in the run up to the 2012 election.

5.1 Gridlock in the 112th Congress

One of the first moves by the House in the 112th Congress was to vote, on January 19, 2011, to repeal the Health Care Bill by a margin of 245 to 189. However, this repeal was not able to pass the Democrat majority in the Senate and would obviously not be signed by President Obama.

In early April, 2011 a shutdown of the government was only just averted by a compromise that cut the budget by \$38 billion. After much wrangling, the House passed legislation on April 14, to finance the federal government for the rest of the fiscal year. The final House vote was 260 to 167, with 59 members of the House Republican majority and more than half the Democratic minority voting against the legislation. The bill also passed the Senate, 81 to 19, again with many Republicans opposed. On April 15, the House voted 235 to 193 to approve the fiscal blueprint for 2012, drafted by Representative Paul D. Ryan, Republican of Wisconsin and chairman of the Budget Committee. The blueprint proposed a cut in expenditure of \$5.8 trillion over the next decade.