

2018

The Student Debt Crisis and Political Polarization in the Millennial Generation

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THE STUDENT DEBT CRISIS AND POLITICAL POLARIZATION

IN THE MILLENNIAL GENERATION

By

DYLAN WALLACE

A thesis submitted in partial fulfillment of the requirements

for the honors in the major program in Political Science

in the College of Sciences and in the Burnett Honors College

at the University of Central Florida

Orlando, FL

Summer Term, 2018

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University of Central Florida

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Abstract

According to the Pew Research Center, the modern wave of political polarization began in 1994, and is the strongest today than it has ever been during the 23-year period. (2007)

Polarization in the US party system is evidenced by several factors including: growing consistent partisan views, partisan antipathy, ideological bubbles, growing difference in preferences, a shrinking political center, and the lack of political compromise. (Pew Research Center 2014)

The question I attempt to answer in this thesis is on the factors associated with political polarization within the millennial generation. One of the most pressing issues to this generation is what is known as the Student Loan Crisis, which is the \$1.45 Trillion dollars Americans owe to private and federal lenders to attend college. (StudentLoanHero.com). In this thesis, I argue that economic inequality, via the student loan crisis, contributes to political polarization within the millennial generation.

My analysis takes place at the level of the individual. I conduct a statistical analysis using the 2016 American National Election Survey Dataset, to test whether political polarization, operationalized as ideological and partisan polarization, is associated with polarization on economic issues that I link to wealth inequality in the millennial generation, controlling for polarization on social issues, interest in politics, and income. The main finding is that party/ideological polarization is positive and significantly related to polarization on economic issues in the millennial generation; whether or not the Student Loan Crisis underlies this link requires further study.

Dedication

I dedicate this thesis to my family, especially my Mom and my girlfriend Sarah, who have supported and helped me every step of the way.

Also to my Great Uncle Torvald, may your legacy forever live on in all of our hearts.

Acknowledgements

I would like to acknowledge my thesis chair, Dr. Kinsey for everything she has done to help me complete my thesis. Through all of difficulties and setbacks I have faced through this process, she was always there to help and support me. I could not have done it without her.

I would also like to thank my committee members, Dr. Pollock and Dr. Koontz for being on my committee, and for providing valuable advice and insight on my thesis.

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Chapter 1: Introduction

Research Question

Political polarization is one the most intriguing topics in modern politics with implications for the American populace because of its potential impact on domestic policy-making. According to the Pew Research Center, from 1994 to 2016 political polarization in public opinion has effectively doubled (Maniam, 2017). However, even if this phenomenon can be observed in voting behavior the underlying causes of this divide are understudied. The question I attempt to answer in this thesis is on the factors associated with political polarization. In particular I explore the factors that account for political polarization in the party identification and policy preferences of the millennial generation. In the literature, a factor that accounts partly for political polarization is economic inequality (Kwon, 2015). One of the most pressing issues to the millennial generation is what is known as the Student Loan Crisis. In this thesis, I explore whether economic inequality, linked to the student loan crisis, may contribute to political polarization within the millennial generation.

The Lasting Effects of Polarization

Researching the topic of political polarization in millennials is important due to the potential lasting impact it may have on the political institutions of the United States. If there is a major political divide that is continually growing the future of democracy in the United States may be threatened, and the very fibers that hold society together could begin to unravel. In the case of the United States uncompromising politics may strain political institutions and frameworks that keep the nation together. Understanding the factors that lead to political polarization is important to discovering courses of action to alleviate it. Achieving political compromise in democracy is critical to addressing the different interests of citizens of the nation.

Political polarization has been linked to growing economic inequality in the literature, but as the political divide widens the resulting stalemate in the legislature prevents policy making that may effectively address this inequality gap. (Kwon, 2015) An important case in point is the current crisis of student loan debt, where Americans are trillions of dollars in debt but legislative solutions to help alleviate the crisis are bogged down by the fractionalization of the legislature (StudentLoanHero.com) In this thesis, I attempt to examine the relationship between political polarization and economic inequality derived from the student loan crisis in the millennial generation.

Polarization in the US party system is identified by growing consistent partisan views, partisan antipathy, ideological bubbles, growing difference in preferences, a shrinking political center, and the lack of political compromise. (Pew Research Center 2014) In this thesis I focus

on political polarization in the electorate, the mass population, and specifically within the millennial generation. The rise of consistently liberal and conservative preferences are particularly strong among those who are most politically active who also tend to have higher levels of education (Fiorina, 2005). I argue that political polarization in the millennial generation is partly due to the education experience, as it pertains to economic inequality resulting from student debt. Student debt leads to greater economic inequality between those individuals that are indebted and those that are not. Those with a college education tend to be more involved politically which in turn contributes to political polarization in this generation.

Data and Methodology

First I use secondary literature to support the connection between economic inequality and student debt in the millennial generation, and then conduct a statistical analysis at the individual level using the 2016 American National Election Survey. At the individual level I operationalize economic inequality as polarization on economic issues. I expect that individuals at different points of the wealth distribution will have different views regarding the role of the government in social welfare. I create measures of political polarization and economic polarization to test this relationship, controlling for social polarization, interest in politics, and polarized income levels. I find that there is a positive relationship between political polarization and polarization on economic issues in the millennial generation.

Organization of the thesis

In the second chapter I review the literature on political polarization and its link to income inequality in the United States, and construct my argument of the link between the student loan crisis and political polarization in the millennial generation; I use secondary literature to support the connection between economic inequality and student loans in the millennial generation. In the third chapter I provide the study's research design, conduct the statistical analysis and discuss my findings. In the concluding chapter I describe the main findings of my analysis, and discuss potential ramifications based on these findings; I also point to the limitations of my study and directions for future research on the topic.

Chapter 2: Literature Review

Political Polarization

Political polarization is defined as the variation in political attitudes from similar to extreme on an ideological spectrum. (Fiorina, 2005) This can mean different things to different political contexts. In the United States the “extremes” are two different sects of classical liberalism; however, within this divide there are a plethora of different ideological contentions that spark polarization, especially between the political elites otherwise known as the elected representatives. (Fiorina, 2005) Polarization in the US party system is evidenced by several factors including: growing consistent partisan views, partisan antipathy, ideological bubbles, growing difference in preferences, a shrinking political center, and the lack of political compromise. (Doherty, 2014) In this thesis I focus on these factors that account for political polarization in the electorate, the mass population, and specifically within the millennial generation.

In an attempt to go beyond the Republican versus Democrat partisan debate among generational lines, the Pew Research Center undertook the largest political survey ever in their history with over 10,000 respondents to create a comprehensive political typology. (2014) The survey sorted voters into cohesive groups based on their attitudes and values, to better understand the population’s views over a wide range of issues. They created eight groups: Solid Liberals, Faith and Family Left, Next Generation Left, Hard-Pressed Skeptics, Young Outsiders, Business Conservatives, Steadfast Conservatives, and Outsiders. The partisan anchors of the groups are the Solid Liberals, the Business Conservatives, and the Steadfast Conservatives. For

instance, the Solid Liberals hold an 89% unfavorable view of the Republican Party, while the Business Conservatives and Steadfast Conservatives hold a combined 90.5% unfavorable view of the Democratic Party. (2014) The importance behind these political typologies is to show the preference points of each group, as well as the demographics behind them.

The extent of mass political polarization in the United States is highly contested in the literature; further it is argued that political polarization may not be a “bad thing.” How polarized the electorate actually is, is the source of continuous scholarly debate. One of the leading scholars of polarization, Morris Fiorina, argues that political polarization in the general citizenry is a myth. (Fiorina, 2005) He argues that much of the debate on political polarization is propagated by the news media that sensationalizes the news content to draw in readers. Alan Abramowitz and Kyle Saunders (2007) on the other hand contradict Fiorina’s findings, by showing that there is an increasing trend in political polarization not only among elites, but also among the general population.

Political polarization is a defining issue today because partisanship is the strongest determinant of voter preference compared to any other factor including: gender, age, race, or socioeconomic status. (Pew Research Center 2012) This means that among a large population of American citizens, preferences on political issues are more heavily swayed by party identification than any other independent factor. *Consistency* in mass political preferences (partisan and ideological) is an indicator in the literature of a shrinking political center, and greater overall differences in policy preferences between parties. (Doherty 2014) Over the past twenty years consistently conservative or liberal opinions among the American populace have

risen from 10% to 21%. (Pew Research Center 2014) This trend is expected to continue to grow if partisan animosity increases. In another Pew Research Center survey, participants were asked to self-identify what party they belonged to, and how they viewed the other party in relation to the well-being of the nation. Twenty-seven percent of Democrats viewed the Republican Party very unfavorably and as a threat to the nation's well-being, while 36% of Republicans viewed Democrats very unfavorably and as a threat to the nation. (Pew Research Center 2014)

Although the numbers show that a majority of Americans do not have uniform political beliefs, the rise of consistently liberal and conservative preferences are strongest among those who are most politically active. According to the Pew Research Center, the modern wave of political polarization began in 1994, and is the strongest today than it has ever been during the 23-year period. Among Democrats that are politically engaged, 38% consistently vote liberal up from 8% in 1994. (Pew Research Center 2014) Thirty-three percent of Republicans express consistently conservative views up from 23% since 1994; in 2004 only 10% of Republicans held consistently conservative views. (2014) In addition, the Pew Research Center study provides individual political involvement indicators for instance, campaign donations, primary voting, and volunteering. Findings show that the most politically polarized are the most politically active, for instance individuals engaging in political activities such as campaign donations, suggesting that the loudest voices are the most divided, causing the general populace to perceive that society as even more polarized than it actually is.

An implication of this political division is the lack of the ability for either side to compromise on public policy resulting in gridlock. The low output of substantial laws enacted

by Congress, can stifle policy progress on many key issues Americans face such as: The Student Loan Crisis or the continuation of the Deferred Action for Childhood Arrivals (DACA). According to the Brookings Institute, voting in politically moderate representatives is the best solution for those unsatisfied by polarized politics and the lack of action on behalf of Congress. (2000) However, as previously mentioned those that turn out in the highest rates to vote are those that subscribe to strongest partisan beliefs, leading to a greater dilemma.

One popular explanation of the phenomenon is the partisan selective exposure of media. Barrack Obama in his farewell address spoke of how it has become the norm for people to retreat into their “bubbles,” listening only to media with viewpoints similar to their own, failing to challenge their own assumptions. He coined this effect the rising trend of “Naked Partisanship” which is viewed as representing a direct threat to our democracy.

Without some common baseline of facts, without a willingness to admit new information, and concede that your opponent is making a fair point, and that science and reason matter, we’ll keep talking past each other, making common ground and compromise impossible. (Obama, 2017)

Although partisan selective exposure and political polarization are correlated they may not be causally linked. (Stroud, 2010) In the literature there are multiple contributing factors to political polarization such as college education, citizen engagement, religious participation, partisan selective exposure, public policy, regional cultural differences, and income inequality. (Abramowitz and Saunders, 2007, Duca, JV, and Saving, 2016, and Stroud, 2010) The factors

that cause political polarization encompass many aspects of life and reflect the complexity of the issue at hand. The combined effects of these factors may reveal how the current era of polarization begun and why it continues to grow. Economic inequality is one of multiple factors contributing to political polarization and the main focus of my thesis in its connection to student loans, and how it may affect political polarization in the millennial generation. I argue that political polarization in the millennial generation is partly due to the education experience, as it pertains to economic inequality resulting from student debt. Student debt leads to greater economic inequality between those individuals that are indebted and those that are not. Those with a college education tend to be more involved politically which in turn contributes to political polarization in this generation.

According to the 1994 American National Election Survey respondents that hold consistently liberal or conservative views have significantly risen. In particular, among individuals with a bachelor degree the figure has risen (between 1994 and 2006) by 13%; and among those that have completed some college education the figure has risen by 3%, both increases significant at $p \leq .001$ (Abramowitz and Saunders, 2007) Education thus is a factor significantly correlated with increases in polarization . (Abramowitz and Saunders, 2007) Those with a college education tend to be more invested in politics, leading to higher rates of political knowledge, campaign interest, and voter participation. (Abramowitz and Saunders, 2007) As political involvement increases along with economic inequality, those indebted and those that are not may become more divided in their policy preferences leading to further political polarization in this generation.

The Millennial Generation

In this thesis, I focus on the Millennial generation, and its impact on political polarization. The Millennial generation is generally defined as those born from the early 1980's to the late 1990's. Millennials are the largest generation in America with more than 77 million individuals, and they are projected to be the most educated generation as well. (DeVaney, 2015) Early events that shaped their lives include: globalism, the attacks on September 11, 2001, the 2008 recession, and the Internet Age. Some of the challenges they have faced and/or are facing are student loan debt and a slow job market. Some of the strengths of Millennials are digital proficiency, technological innovation, and the ability to influence younger generations through digital media. (DeVaney, 2015)

Some of the mindsets and attitudes attributed to the millennials include: optimism, civic mindedness, close parental involvement, multitasking, teamwork, entitlement, and impatience. These traits provide a strong contrast to other generations such as Generation X, born from the mid-1960's to the early 1980's, whose notable traits are: self-reliance, adaptability, cynicism, distrust for authority, and entrepreneurial skills. (DeVaney, 2015) The difference between millennials and earlier generations from a sociological standpoint is important in analyzing political trends. The demographic is currently the youngest voting block and seems to reflect the national trend of growing polarization (Mania, 2017) My analysis compares the millennial generation to other generations. I expect that economic factors may be more likely to account for political polarization in the millennial generation than in previous generations.

A key issue that greatly affects the millennial generation is student loan debt, and could be highly related to the budding partisanship within the generation. LendEDU, a student loan refinancing marketplace, conducted a survey of 544 current college students asking if the student loan crisis was a bigger threat to America than North Korea, and an overwhelming 69.7% responded it was student loans. (2017) While it may seem obvious that millennials, who hold 42% of all student loan debt (Harvard IOP), agree that it is very important issue, the goal of this thesis is to analyze what effect the student loan crisis has on the political polarization of the generation.

The Student Loan Crisis

The Student Loan Crisis, is the \$1.45 Trillion dollars Americans owe to private and federal lenders to attend college, and is the single most pressing issue facing the generation. It is approximately \$620 billion more dollars than the total sum of US credit card debt.

(StudentLoanHero.com) The cost of college has risen by nearly 900% since 1978 and student debt has increased by almost 50% in the last 10 years. (Cariceo, n.d., p.3) There are a litany of causes of this crisis: the rapid inflation of the cost of tuition at higher academic institutions, a decline in state funding for higher education, and a drop-in college and university endowment values. (Johnson, 2012) The 2008 recession is major factor in many of these issues, as the economy declined there was less state funding for students as well as less grants and scholarships funded through private means. However, the average cost of tuition did not fall at all during this time period, in fact it rose from \$18,845 in 2008 to \$21,728 in 2014. (nces.ed.gov)

The history of student loan lending began in 1958 with the National Defense Education Act, and was meant to help the United States beat the Soviet Union in the space race by enrolling thousands of students in education, engineering, and other sciences. (Johnson, 2012) After the success of the initial legislation it was further expanded with the passage of the Higher Education Act of 1965, which increased the available student loans, particularly for middle class families that did not qualify for grants or need based scholarships. (Johnson ,2012) It was divided into three types of loans: Direct Federal Loans, Federal Family Education Loans, and Private Loans. In 1965 the average cost for a public institution was \$950 a year, which adjusted

for inflation today is \$7,506, compared to the average cost for a public institution per year of \$17,061 in 2017. (nces.ed.gov)

The adjusted cost of tuition has risen by over 227% in a little more than fifty years, while the value of a bachelor's degree has decreased, due to the substantial increase of degree holders and the prevalence of higher education. These factors play strongly into why student loans are a major crisis today, because people are paying more for a less valuable degree, decreasing their chances of repaying the loans. In the Direct Federal Loan program alone there is over 74.9 billion dollars of loans in default, by more than 4.3 million borrowers. (Studentloanhero.com)

This increase in student loan debt is associated with economic inequality based on the burden it places on individuals. With increased levels of student loan debt, individuals may have to delay purchasing homes or make other significant purchases because of the cost associated with repaying them. Not being able to build up the type of equity that comes with purchasing a home, hurts the vested interests of the generation. The link between debt and economic inequality is realized in that as the individuals struggle to pay off the debt they lack the available funds to invest in their wealth and effectively grow their capital. This creates a cycle of debt servitude where the individual lives with the continuous burden of paying back their debt, which on average for a bachelor's degree takes 21 years. (One Wisconsin Institute)

The political divide created by economic inequality derived from student loans, is frequently the root of the partisan debate on the subject. It goes beyond the college educated population to those who avoid a college education altogether because of the associated cost.

Those struggling with the loans and those who cannot afford a college education may expect the government to intervene to resolve the student loan crisis and/or decrease the costs of higher education, whereas those who receive a college education without loans or forgo college may be against government involvement in these matters making the crisis worse than its current state. This suggests that the link between income polarization and political polarization may be weak in the millennial generation since the former group (college educated with debt and those who cannot afford a college education) would be expected to be more liberal, and the latter group (wealthier college educated, i.e. without debt, and low income individuals) more conservative.

My analysis attempts to examine if the stances on economic issues, related to the government's role in the Crisis, has a pronounced effect on political polarization when compared to stances on social issues in this generation. Student loan debt has a wide range of economic implications on the millennial generation beyond just paying back the loans. It affects many aspects of their lives, whether it be financial matters or relationships, and encompasses the daily lives of many individuals. In 2015 the American Student Assistance Organization, conducted a survey of 1,934 participants with student loans in an attempt to understand the effect of student debt on the daily lives of young Americans. (ASA) In the surveyed group 45% identified as millennials, and 62% of the total respondents believed that the impact of student debt on household debt was a hardship. (ASA) Furthermore, 62% of the respondents said that they put off savings for retirement or other investments because of loan debt, and 55% indicated that student loan debt affected their decision or ability to purchase a home. (ASA)

Based on these statistics alone it is quite clear that student loan debt has a profound impact on the economic well-being millennials, creating a burden they must overcome.

This also impacts the American economy as a whole considering society feels the effects of the career paths avoided, the homes not purchased, the lack of small business ownership, and the investments not made. The student loan program was created for the collective good of society, by educating the masses and giving an opportunity for upward mobility, but if a large portion of that populace is indebted it will greatly hamper these efforts. In 1985 Congressman William D. Ford of Michigan, cautioned that,

We are producing a class of indentured servants who must work to free themselves of the bondage of educational debts. How will the next generation afford a home or car if their disposable income is committed to paying off student loans? (Ford 1985)

As the student loan crisis continues to grow, we can see Congressman Ford's statement becoming a reality. As noted previously, it takes on average 21 years for an individual to pay back student loans for only a bachelor's degree, and during that time period individuals are forced to put off things like marriage, starting a business, and purchasing a car or a home. (One Wisconsin Institute, ASA) The economy as a whole suffers because of this, as the borrowers pay a significant portion of their incomes to the federal government and private banks: traditional consumer goods, investments, and real estate will begin to see a major decline. The federal student loan program began as the means to helping the youngest generation succeed, to give promise to a better life than the generations previous. However, as of today many of the

individuals face financial futures ripe with financial burdens because of the realities of carrying large amounts of student debt in today's economy.

This system of debt bondage in the majority of college graduates is unsustainable because of how quickly the Student Loan Crisis is growing. (Time.com) If the issues associated with political polarization in the millennial generation can ever be solved, the first step will be addressing the factors that cause the loan crisis. In my thesis, I argue that there is a link between economic inequality, realized through the student loan debt, and polarized partisan/ideological politics of the Millennial generation. Student loan debt in the millennial generation may create economic inequality that contributes to political polarization.

The Student Loan Crisis and Economic Inequality

In this section I discuss the link between the student loan crisis and economic inequality in the millennial generation. Economic inequality is the unequal distribution of income and opportunity among different groups in a society, measured by various economic well-being indicators. It can be broken down into three subgroups: income inequality, pay inequality, and wealth inequality. Income inequality is all the money an individual receives through income including employment, interest in dividends on investments, savings, pensions, and rent. It can be measured by the individual or household basis. Pay inequality refers to the earnings for employment alone, and measures the difference between individuals pay in an organization or in a country. Wealth inequality is the total assets of an individual or household including: financial assets, property, and private pension rights. Wealth inequality refers to the unequal distribution among different groups in a society.

To be sure, there are limitations in defining the exact income distribution for millennials because, not only 13% of these individuals are still in college, but also their incomes cannot be accurately compared early in their respective careers. (EIG.org) It can be inferred though from the current trend of the rise in income inequality as seen in Table 2-1, that this phenomenon will only continue to grow. From 2006 to 2016 the difference between the bottom 20% of American household income compared to the 40%-60% bracket has grown from \$39,965 to \$50,867. This increase of 127%, reflects the growing increase of economic inequality in the country.

Wealth holdings is the most serious economic factor connected to the loan debt crisis, and there is already a plethora of data and scholarly literature researching the subject. As previously noted, homeownership is a major concern among millennials, and research shows that the proportion of young adults purchasing homes has declined in recent years. (Houle and Berger) In particular, Cooper's study (2014) focused on the impact of student debt on homeownership and wealth holdings. Cooper used the Panel Study of Income Dynamics variable on student debt liabilities in 2011 and 2013 and the 1988 National Educational Longitudinal Survey, which is a nationally representative longitudinal study of eighth graders from 1988 to 2000, and found that homeownership rates for individuals without student loan debt is higher across the spectrum than those with student loan debt. (Cooper 2014)

The data showed that individuals aged 20-24 with student loan debt had a homeownership rate of 7.9%, where those without student loans had a homeownership rate 17.3%. (Cooper, 2014) In individuals aged 35-39, which would be considered the lower limit of Generation X, the rates of homeownership with student loan debt is 65.2% compared to 66.3%. The stark contrast between the difference of those with debt and those without among the two subgroups, 9.4% and 1.1%, is very revealing of the impact student loans have on individuals based on age. Albeit these numbers may seem like they will even out over time, Cooper further shows that wealth holding amongst individuals with student loan debt compared to no debt continues to follow the same trend.

In the distribution of real total wealth, homeowners with student loan debt across the entire study, have a median accumulated wealth of \$25,667, versus homeowners without

student loan with an accumulated wealth of \$76,674. (Cooper, 2014) This is truly indicative of the effect student loan debt has on wealth holdings when considering that the homeowners with student debt have nearly three times less real total wealth than those who do not have student loan debt. This study becomes alarming when recognizing that in 2012, 71% of individuals that graduated from a four-year institution had student loan debt.

(StudentLoanhero.com) As this trend seems to continue to rise the prospect of wealth inequality in the millennial generation will only get worse. I argue that the student loan crisis in the millennial generation is linked to economic inequality in this generation. Wealth inequality is not just how much money an individual earns; it covers an individual's potential for investing, homeownership, and generally future prosperity (Kwon, 2015).

As noted earlier, in the literature economic inequality is connected to political polarization. Kwon, (2015), argues that there is a possibility that income inequality generates mass political fractionalization leading to a polarization of elite stances on important issues (Kwon, 2015). He examines whether it is income inequality or extreme partisanship that leads to political polarization. He finds that "(the past values of congressional polarization are better able to predict future values of income inequality than vice versa" (Kwon, 2015 p.61). It appears that as Congress becomes more and more polarized its ability to address income inequality becomes limited. In the current two-party system, the more the legislature becomes polarized, the greater than inability to solve crises.

The current state of economic inequality is a pressing issue the United States faces in modern politics that is also viewed in the literature as contributing to political polarization.

There has been a recent trend noted by economists that income distribution has become more unequal, attributing it to globalization and technological change toward automation among other factors (Duca, J. V., and Saving 2017). The growing inequality gap may be related to how individuals evaluate their welfare by comparing it to those around them (Clark, Frijters, and Shields 2008), suggesting that demands for redistribution may rise as incomes decline (Saving, J.V., and Duca 2017).

This struggle between the have and have nots is a fight for each side's economic interests. "Together, these effects could induce different segments of the income distribution to fight more heavily for their own economic interests at the expense of others, thereby increasing the degree of political polarization" (Duca J. V. and Saving 2017 p. 395). This manifests itself in growing public fears that economic mobility is declining, creating more persistent winners and losers and leading to political division (Duca J.V. and Saving 2017).

The beginning of the trend of income inequality in 1994 seems to coincide with the beginning of the most recent trend of polarization, albeit from a statistical standpoint the effects were beginning to be noticed since the 1980's. (cbo.gov) In my thesis I focus on the sources of political polarization in the millennial generation as it pertains to a growing economic disparity in this generation. Also, it should be noted that the start of the current era of polarization and income inequality coincides with almost the entire lives of most in this generation. The political preferences of the generation related to economic issues is an interesting and important study as it may provide a glimpse into the sources of political polarization.

Chapter 3: Research Design, and Analysis

Hypotheses

I test for the relationship between economic inequality, via the student loan crisis, and political polarization in the millennial generation. I conduct my analysis at the individual level using the 2016 American National Election Survey. I link *economic inequality* to *polarization on economic issues*; I expect individuals at different places on the wealth distribution to have different views regarding economic issues. Those located at the lower end (indebted with student loans) may view the government's role as creating jobs and increasing the standard of living via spending and services, while those toward the upper end may support a limited economic role for the government. In other words, I expect those at the two opposite ends of the wealth distribution to be more economically polarized than those at other places on the wealth distribution. I use two survey questions: the role of the government in relation to jobs and standard of living, and government spending and services. I operationalize political polarization as ideological and party polarization. I use two survey questions from the 2016 ANES on party identification and ideology.

My hypotheses are the following:

1. Polarization on economic issues and ideological polarization are positively related.
2. Polarization on economic issues and partisan polarization are positively related.

The control variables include polarization on social issues, polarized income levels, and interest in politics. I expect polarization on social issues to be positively related to ideological

and partisan polarization, because social issues have a tendency to spark controversy and subsequently polarize opinions. (Moussaïd, 2013) I expect polarized income levels to be positively related to ideological and partisan polarization, because individuals at the upper and lower income levels may have drastically different economic policy interests. (Kwon, 2015) However as argued earlier, those with student debt and those who cannot afford college are more likely to have more liberal views about government intervention, than those who forego a college education and those who do not have debt. Finally, I expect interest in politics to be positively related to ideological and partisan polarization. This is based on the literature of previous polarization studies. (Abramowitz and Saunders, 2017)

Measurement

I use the 2016 American National Election Survey to examine the connection between *political polarization* and *polarization on economic issues* in the millennial generation. I focus on the millennial generation comparing them to generation X and the baby boomers. All of the variables described below are derived from survey questions in the 2016 ANES. For my model, I refer back to the political polarization model used by Abramowitz and Saunders (2007), I use a similar design where I use the absolute values of survey responses to create measures of polarization. I use survey questions to create measures of political polarization, polarization on economic issues, polarization on social issues, income, and political interest in campaigns.

For measures of *political polarization*, I use survey questions on (1) party identification and (2) ideology. The survey questions are respectively: how do you rate yourself on scale of 1 to 7 with one being strong democrat and 7 being strong republican, and how do you rate yourself on a scale of 1 to 7 with 1 being extremely liberal and 7 being extremely conservative. Polarization for each of these variables is the absolute difference between the variable and the midpoint of each variable: 4. Higher values represent higher polarization and lower values represent lower polarization. Each of these variables is the dependent variables in two separate models.

To measure polarization on economic issues, I select survey questions that reflect the respondent's position regarding (1) the role of government in relation to jobs and standard of living, and (2) government spending and services. The survey question for spending and services is, "How do you rate yourself on a scale of 1-7 with 1 being the government should

provide many fewer services and 7 being the government should provide many more services.” The survey question I use for jobs and standard of living is, “How do you rate yourself on a scale of 1-7 with 1 being the government should see to jobs and standard of living, and 7 is that government should let each person get ahead on their own.” Again, to show a respondent’s level of polarization, I use the absolute difference of each variable and its midpoint of 4. Finally, I sum the values of these two new polarization variables to create an additive index of economic polarization.

Control variables:

To create a measure of *polarization on social issues*, I use the same process; I use the variable *gay laws scale* that ranges on a scale from 1 to 13, and take the absolute difference of the variable and its midpoint of 6.5. *Gay laws scale* is a combination of variables about laws regarding gay people, these include subjects such as gay marriage and civil rights protections for gay people. The higher values indicate more conservative views on the various laws regarding gay people.

As discussed earlier the respondent’s interest in politics is expected to be positively related to political polarization. To measure this variable I use the 2016 ANES survey question on interest in politics, which ranges from 1 to 4, with 1 being not at all interested and 4 being very interested. I also use a survey question about the respondent’s total *income level*, which ranges from 1 to 7, and then I create the measure *Income_ABS* by taking the absolute difference between the variable and its midpoint of 4. I expect that income level of the

respondent will also be positively associated with political polarization, in that the higher and lower income respondents will be more polarized than the middle class.

Methodology, Models, and Analysis

I use multivariate regression models to conduct the analysis. The regression models are the following:

Ideological polarization = $f(\text{polarization on economic issues, polarization on social issues, interest in politics/campaigns, and Income_ABS})$, and

Partisan Polarization = $f(\text{polarization on economic issues, polarization on social issues, interest in politics/campaigns, and ABS_Income})$.

I run separate models for each generation (millennials, generation X, and baby-boomers) using the *Age13* variable. This variable breaks down the respondents' age into thirteen groups ranging from 18 years of age to 75+. I use generational age parameters to recode the values into four groups: the millennials (18-34), generation X (35-54), baby boomers (55-74), and the silent generation (75+). However, I omitted the silent generation from the model because the sample size was not comparable. (n=250 compared to n=1500)

I examine the association between political polarization and polarization on economic issues in the millennial generation compared to that of the other generations, controlling for alternative explanations including polarization on social issues, political interest, and income. I expect to find the effect of polarization on economic issues on political polarization to be consistently positive across generations when controlled for alternative factors. The analysis results for political polarization as ideological polarization are shown in Table 1, and as party polarization are shown in Table 2.

Table 3.1 Effects of Polarization of Economic and Social Issues, Interest in Politics, and Income level on Ideological Polarization for *Millennials, Generation X, and Baby-boomers*.

	Millennials	Beta	Generation X	Beta	Baby Boomers	Beta
Polarization on Economic Issues	.230** (.036)	.224	.194** (.033)	.198	.232** (.033)	.230
Polarization on Social Issues	.039* (.017)	.082	.037 *(.015)	.082	-.012 (.014)	-.029
Interest in Politics	.099** (.014)	.254	.083** (.014)	.200	.088** (.015)	.186
Income_ABS	-.018 (.031)	-.020	.038 (.030)	.043	-.010 (.030)	-.011
Constant	.344* (.120)		.280* (.115)		.530** (.126)	
R ²	.134		.097		.094	
N	1040		1160		1128	

Values Represented are Unstandardized and Beta Coefficients while in parenthesis are the Standard Errors

* Indicates Significance at $.001 \leq p \leq .05$, ** Indicates Significance at $p \leq .001$

Source ANES 2016

These results support the hypothesis that polarization on economic issues has a positive effect on ideological polarization across generations. For the millennial generation, as polarization on economic issues increases by one unit, ideological polarization increases by .230 units on average. The coefficient is statistically significant with a p value less than .001. The betas suggest that polarization on economic issues has a greater effect on the ideological polarization of the millennials than social issues.

Further, as expected interest in politics has a positive effect on ideological polarization across generations and the betas suggest that its effect is the strongest compared to the effects of other variables included in the model. This is a finding consistent with findings in the literature, that politically interested individuals are more likely to have stronger ideological

stances. Polarization on social issues is positive but statistically significant only for the millennial generation and as noted earlier its effect, as suggested by the beta is smaller than the effect of polarization on economic issues. Income_ABS is not significant across generations. The fact that Income_ABS is not significant suggests that income level is not related to political polarization. As noted earlier, those that are college educated but without student loans and those who forgo college may be more conservative. However, these two groups are expected to have different levels of wealth, the former to be toward the upper end of the wealth distribution and the latter toward the lower end of the distribution. Thus the effect of income polarization on political polarization may be nonsignificant or even negative and significant.

In sum, these findings appear to support my argument of the effect of polarization on economic issues on political polarization among the millennial generation.

Table 3.2 Effects of Polarization of Economic and Social Issues, Interest in Politics, and Income level on Partisan Polarization for Millennials, Generation X, and Baby-boomers.

	Millennials	Beta	Generation X	Beta	Baby Boomers	Beta
Polarization on Economic Issues	.125* (.043)	.107	.128** (.040)	.110	.106* (.040)	.089
Polarization on Social Issues	-.003 (.020)	-.005	1.704E-5 (.018)	.000	.042* (.017)	.083
Interest in Politics	.076** (.016)	.171	.073** (.017)	.148	.069** (.019)	.125
Income_ABS	-.084* (.037)	-.083	.003 (.036)	.003	-.037 (.036)	-.035
Constant	1.444** (.141)		1.330** (.141)		1.388** (.153)	
R ²	.050		.038		.029	
N	1040		1160		1128	

Values Represented are Unstandardized and Beta Coefficients while in parenthesis are the Standard Errors

* Indicates Significance at $.001 \leq p \leq .05$, ** Indicates Significance at $p \leq .001$

Source ANES 2016

The analysis results for political polarization as partisan polarization are shown in Table 2. The results also support the hypothesis that polarization on economic issues has a positive effect on partisan polarization across generations. In the millennial generation, as polarization on economic issues increases by one unit, party polarization increases by .125 on average. The coefficient is statistically significant with a p value less than .05 but greater than .001.

Interest in politics in the ideology model, is consistent with the previous findings.

Income_ABS has an even stronger association, with a beta coefficient of $-.083$. The variable is statistically significant with a p value less than .05 but greater than .001, showing that there is strong inverse relationship between Income_ABS and party polarization. For every one unit that income polarization increases, party identification polarization decreases by .083. Again, this finding may be expected as discussed above.

In model 2 polarization on economic issues has a significant positive effect on party identification in all generations. Model 2 shows more differences across generations in relation to polarization on social issues and income polarization. In model 2 polarization on social issues has a statistically significant effect on ideological polarization only for baby boomers.

Discussion

The association of political polarization and polarization on economic issues in the millennial generation may have multiple root explanations, one of which was explored in this thesis, The Student Loan Crisis. While the results cannot show that student loans are directly driving political polarization, the results suggest that the subject requires further study. There certainly may be other economic sources that drive political polarization, giving promise to further study in isolating different factors.

Economic inequality may have a pronounced effect on political polarization in the millennial generation. As previously described, Millennials collectively hold \$609 billion dollars of student loan debt, and this would increase economic inequality in this generation contributing thus to the generation's polarization on questions regarding government's economic policy. (Harvard IOP, StudentLoanHero)

The debate on student loans is based on the following arguments: As the debt crisis continues to worsen, many support government intervention to remedy the crisis. This can be done by forgiving Federal loans and offering free public education at the college level. The opposing argument to solving the student loan crisis, is to further restrict government intervention. This would be done by removing federally guaranteed loans, so that the higher education market may correct itself and the runaway inflation of tuition costs would decrease. (nces.ed.gov, Cariceo, n.d., p.3)

The debt crisis may not be the only cause of the link between polarization on economic issues and political polarization in the millennial generation. The cause may also be rooted in

the after effects of the 2008 recession, which caused a slow job market and the expectation that the government's role is to relieve economic challenges during recessions. (DeVaney 2015) These issues could conflate with each other. As many of the millennials faced a slow job market with the mounting pressure of the repaying of student loans, many among them desired government intervention. Conversely, many others chose not to attend college and to pursue alternative career paths because of the financial costs/value. It is difficult to identify the mechanism of the connection between political polarization and economic inequality.

However, polarization on economic issues has a positive and significant impact on ideological and partisan polarization across generations. This suggests that the association between polarization on economic issues and ideological and partisan polarization is a society wide phenomenon. This may be evidence that many of the key economic and political issues that affect the nation, are related and intergenerational. Also, because generations are interconnected, issues affecting a significant portion of the populace can create shared views. For example, while the baby boomers may not be directly affected by student loan debt, its indirect effects may be felt in the economy because of the millennial generation's lack of ability to consume and invest, slowing economic growth as a whole. Also, as millennials are typically the children of baby boomers, it is possible that the economic hardships they face are shared among family members.

Chapter 4: Conclusion

The evidence in this thesis suggests that polarization on economic issues has a positive impact on political polarization in the millennial generation; it is also having a stronger impact on political polarization than polarization on social issues. Since there is a connection between political polarization and economic inequality in the literature, and the debt crisis is argued to be contributing to economic inequality in the millennial generation, polarization on economic issues in the millennial generation may be driven by economic inequality induced by the debt crisis. I expect that individuals with student loan debt have worse economic outcomes on average than individuals without student loan debt contributing to the economic inequality in the millennial generation. (Cooper 2014) While I cannot conclusively state that the student loan crisis contributes to political polarization in the millennial generation, this proposition is tentatively supported by the analysis. More research is needed to examine this question.

Political polarization is a prominent topic in the political landscape today, encompassing many of issues related to advocacy protests, mass media bias, political approval ratings, and the ability to pass legislation. An example of political polarization in contemporary politics is evidenced by a 2017 Gallup poll on Obama's job approval rating, where there was a 70-percentage-point party gap (13%-83%) in approval ratings. (Gallup) Political polarization results in policy gridlock as compromise among legislators becomes more difficult, straining the very institutions that hold the nation together. By examining the causes of political polarization, we can have a discussion about solutions to these challenges.

The millennial generation is at the forefront of this issue; they are the youngest voting generation and the largest group in the nation. Their voting preferences will impact the nation's future for many years to come. To understand what shapes the politics of the millennial generation, we must look to the major economic and social hardships they have faced and their expectations for the future. One of the most prominent issues affecting the generation, is the Student Loan Crisis.

The Student Loan Crisis or the \$1.45 Trillion dollars Americans owe to private and federal lenders to attend college, only continues to become worse as the cost of college has increased by nearly 900% since 1978. The millennial generation together hold 42% of the total debt, and that figure is increasing as they continue to pursue their secondary and post graduate education. Through researching the literature associated with the student debt crisis and economic inequality, there is cause to expect that the two issues are related. The impact of student loan debt greatly affects the economic wellbeing of the millennial generation, reducing their available income and the ability to invest in their futures.

Using the 2016 American National Election Survey, I created polarization measures and used regression models to explore the effects of polarization on economic issues on political polarization among the millennial generation, generation X, and the baby boomers. The results suggested that in the millennial generation, polarization on economic issues has a positive impact on both ideological polarization and partisanship. Indeed, this finding is consistent for all of the generations examined, indicating that further research must be done to discover the specific economic issues that contribute to polarization in each generation.

Further research on the issues that underlie political polarization in the millennial generation, may examine directly the link between political polarization and the student loan crisis. Ideally, to further study this phenomenon I would conduct two different studies: one study linking student debt to economic inequality in the millennial generation, and a second study about student debt and political polarization in the millennial generation. To conduct the study linking student debt to economic inequality, I would conduct a time series analysis, using aggregate measures of student debt in the populace and economic inequality indicators. For the second study linking student debt to political polarization, I would conduct a survey using a measure of student loan debt (i.e. 0-\$5000, \$5,000-\$10,000 etc.), to link it to ideological and partisan polarization, in an attempt to show the direct impact of student loans on political polarization in the millennial generation.

Limitations

As noted above, there are data limitations; the 2016 ANES dataset does not include survey questions that would allow me to explore directly the relationship between economic inequality via student loans and political polarization in the millennial generation, or make effective comparisons between the millennial generation and prior generations. There is not much relevant content in the literature currently on this subject, so for further study I would design my own survey. I would conduct a study of millennials to compare political polarization (ideological and partisan) among those who have/had student loans, those who completed a college education without loans, and those who elected to not attend college. Finally, extensive interviews with individuals in the millennial generation could help to discover if having students loans influence their political views.

Also, due to data limitations not all relevant control variables are included in the statistical models. For instance, religious affiliation and/or extent of religious attendance may also contribute to ideological/partisan polarization. Further study would control for additional alternative explanations.

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Appendix

Table 2-1. Income Limits for Each Fifth and Top 5 Percent of All Households: 1967 to 2016

(Households as of March of the following year. Income in current and 2016 CPI-U-RS adjusted dollars (28))

CURRENT DOLLARS US Census Bureau.

Year	Number (thousands)	Upper limit of each fifth (dollars)				Lower limit of top 5 percent (dollars)
		Lowest	Second	Third	Fourth	
2016	126,224	24,002	45,600	74,869	121,018	225,251
2015	125,819	22,800	43,511	72,001	117,002	214,462
2014	124,587	21,432	41,186	68,212	112,262	206,568
2013 (39)	123,931	21,000	41,035	67,200	110,232	205,128
2013 (38)	122,952	20,900	40,187	65,501	105,910	196,000
2012	122,459	20,599	39,764	64,582	104,096	191,156
2011	121,084	20,262	38,520	62,434	101,582	186,000
2010	119,927	20,000	38,000	61,500	100,029	180,485
2009	117,538	20,453	38,550	61,801	100,000+	180,001
2008	117,181	20,712	39,000	62,725	100,240	180,000
2007	116,783	20,291	39,100	62,000	100,000+	177,000
2006	116,011	20,035	37,774	60,000	97,032	174,012
2005	114,384	19,178	36,000	57,660	91,705	166,000
2004 (35)	113,343	18,486	34,675	55,230	88,002	157,152
2003	112,000	17,984	34,000	54,453	86,867	154,120
2002	150,002	150,002	150,002	150,002	150,002	150,002