

CONCLUDING CONFERENCE,

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Rising inequalities: will electorates go for higher redistribution?

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Theme of the chapter: **the relationship between income inequality, redistributive preferences and political behaviour.**

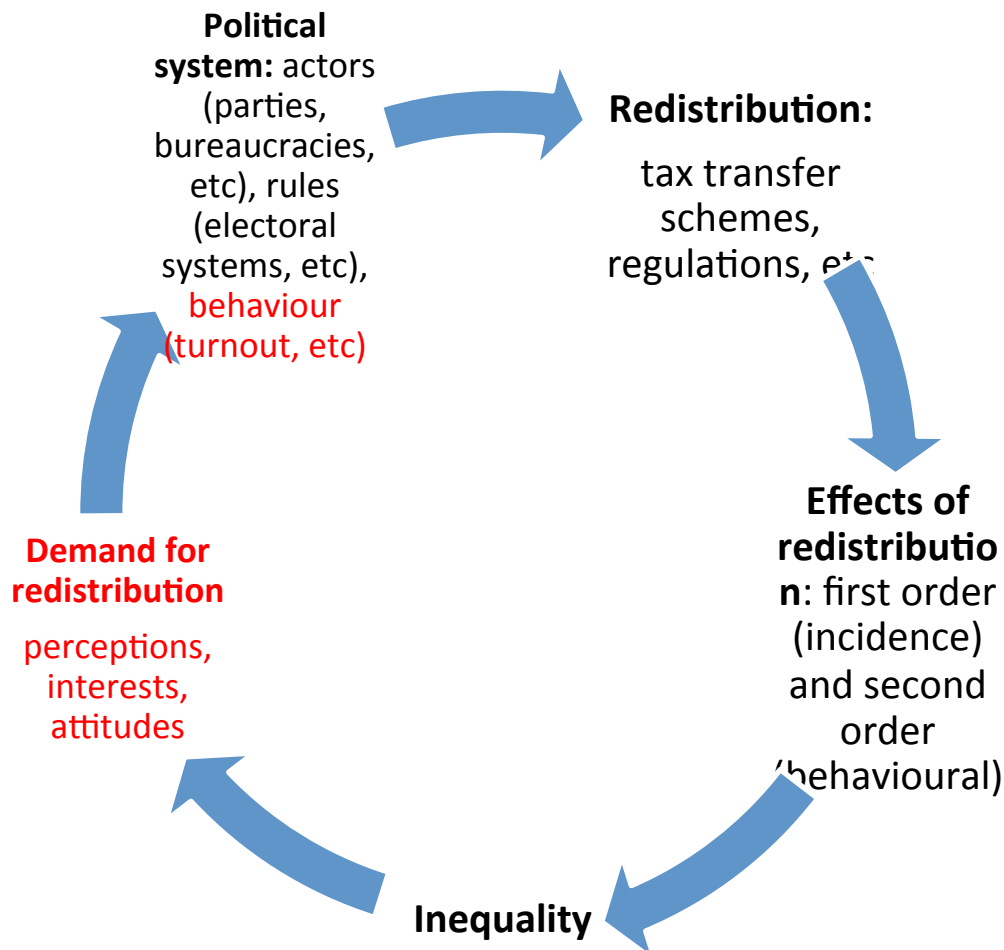
Research question:

- will rising inequality induce electorates to demand (and vote for) more redistribution?

Content and coverage:

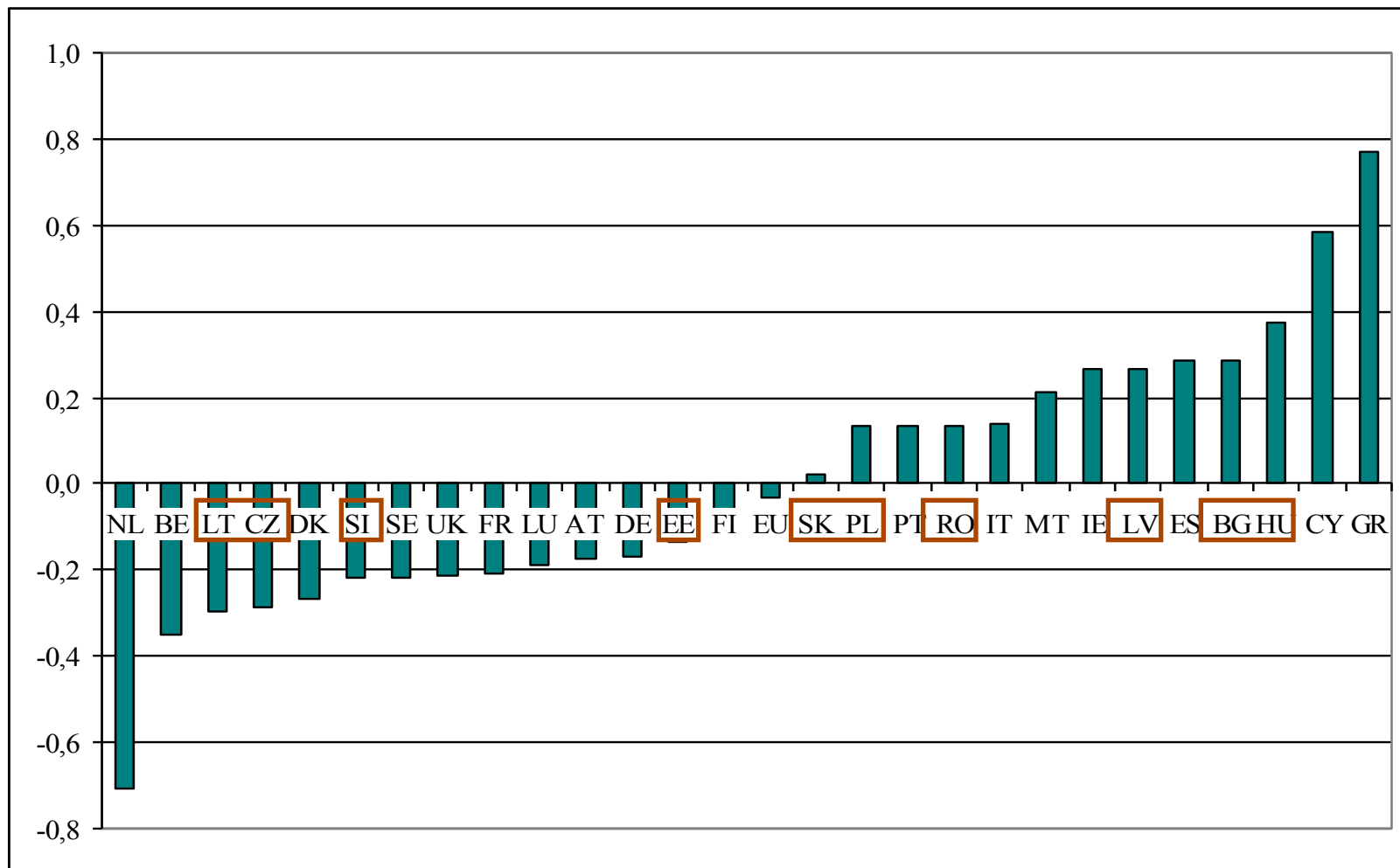
- Results of empirical studies that directly address the relationship between **income inequality** on the one hand and **redistributive preferences and political behaviour** on the other hand.
- Reflections on specific assumptions of theories of redistribution (the MR model)
- Conclusions

The frame: the political cycle of inequality and redistribution



Inequality and redistribution: direct and indirect links

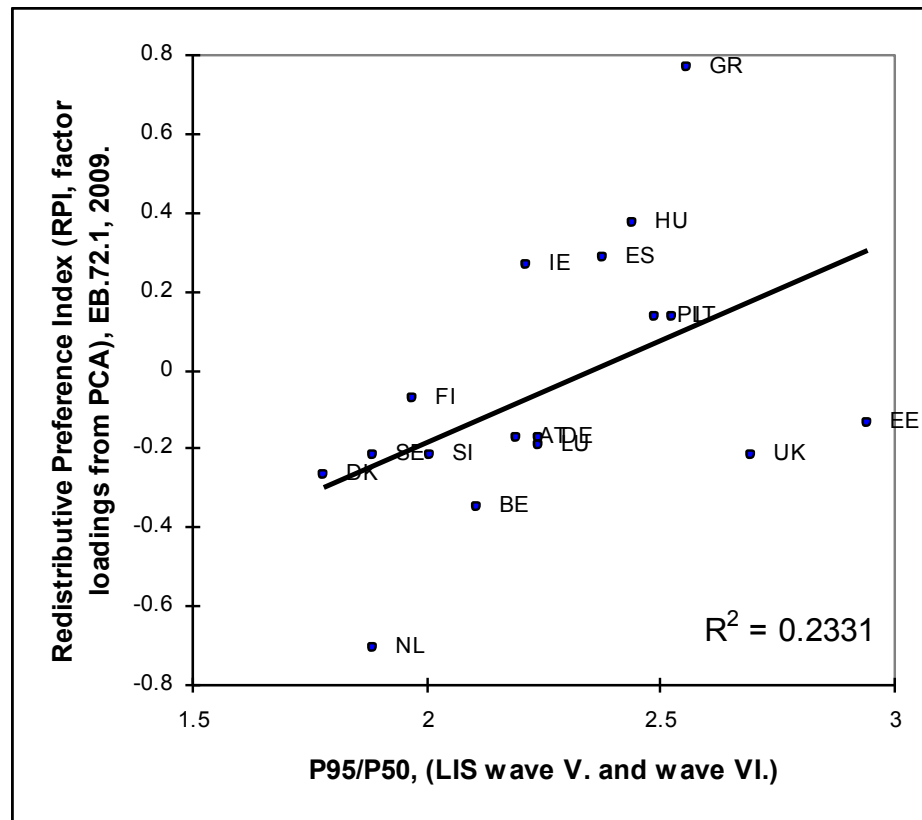
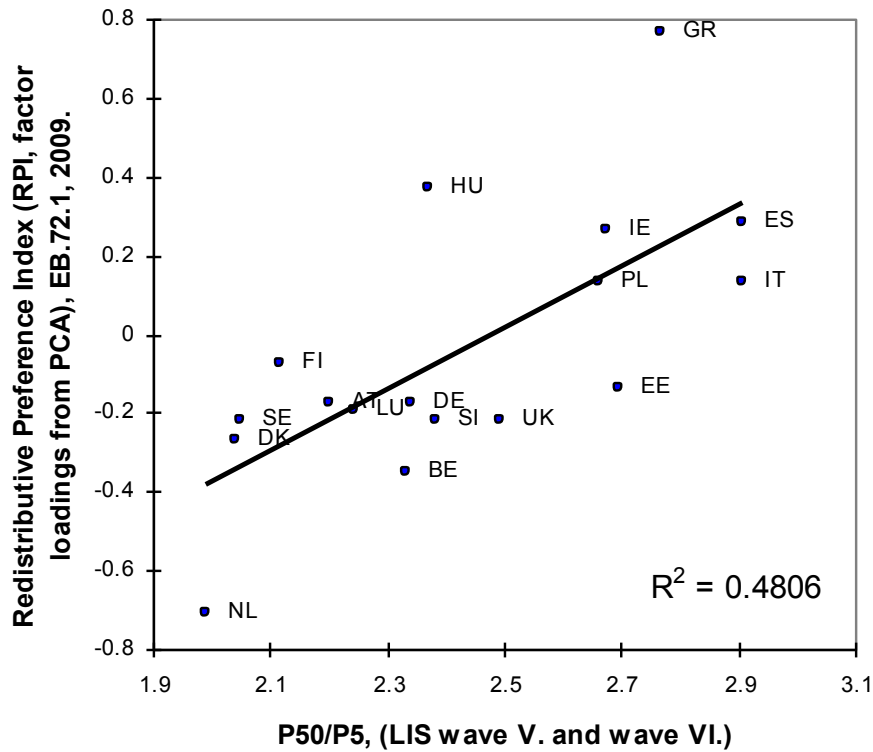
Findings (1): the mean value of redistributive preference index (an overall measure of redistributive attitude) by countries



Source: Tóth and Keller, 2011

Findings (2) Positive relationship between actual inequality and redistributive preference

RPI is more influenced by the lower part (below median) of the income distribution, than by the upper part (above median).



Source: Tóth and Keller, 2011

Findings (3) individual covariates - multivariate analysis

OLS results at individual level

Demography

Country dummies in the model

Gender: male	-0.05***
Age: 18-30	0.05
Age: 31-40	0.06*
Age: 51-60	0.04
Age: 61-70	-0.05
Age: 71+	-0.03
Educ: max primary	0.08***
Educ: tertiary	-0.12***
Locality: village	-0.04
Locality: lrg town	-0.02
Hsize	0.01
Lab. mark: selfemp	-0.16***
Lab. mark: notwork	0.1***
Lab. mark: retired	-0.01
Lab. mark: student	-0.01
Mat. status	-0.05***

*** p<1%; ** p<5%; * p<10

Mat. int.

Expectations

Expects: gets better	0
Expects: gets worse	0.12**
Gets better × mat.status	-0.02
Gets worser × mat.status	-0.03
Why poor: person lazy	-0.24***
Why poor: soc. unjust	0.23***
Why poor: byproduct of econ progress	-0.07**
Around: large povety	0.17***
Tension: rich-poor	0.11***
Tension: aged	0.01
Tension: man/work	0.06*
Tension: ethnic	0.01
Ineq: too large	0.38***

Failure

Values

Reference categories: Female, Age 41-50, Secondary school, Small town, Employed, Future expectation: the same, Failure attribution: unluck.

Findings (4) individual covariates - multivariate analysis

- People with low material resources have a significantly larger appetite for redistribution
- Those expecting a worsening position have a significant positive evaluation of redistribution
- People believing that the poor get into poverty because of laziness have a much smaller redistributive taste
- Those who think poverty is a consequence injustice show larger RPI
- People evaluating poverty a problem and/or think large tensions between social groups are more pro-redistributive

Inequality perceptions, values and opinions about inequality

Inequality perceptions, values and opinions about inequality

If people have preferences with respect to the level of inequality, then redistributive preferences will also depend on the:

- level of inequality perceived
- level of inequality desired

Findings (1) Actual inequality and perceived inequality:

- Evidence of underestimation of pay ratios mostly due to underestimation of high earnings (Osberg and Smeeding 2006)
- Cross sectional estimates: positive correlation
- During transition to a market economy with rising earnings inequality, perceived pay ratios also increased (Gijssberts 2002, Kelley and Zagorski 2005)
- Overall: there is need for more evidence on the effect of inequality changes

Findings (2) Actual inequality and desired level of inequality

- Cross-sectional effect: positive (Andersen and Yaish 2012)
- Effect of changes in inequality: positive (Kerr 2011)
- Also: increasing desired inequality in transition countries where inequality levels were increasing substantially during the 1990s (Gijsberts (2002), Kelley and Zagorski (2005)).
- Overall: increasing inequality is partially accepted by people, in the sense that levels of accepted inequality increase when actual inequality is on the rise.

Findings (3) Actual inequality and judgments about level of inequality

- Effect of inequality on life satisfaction.

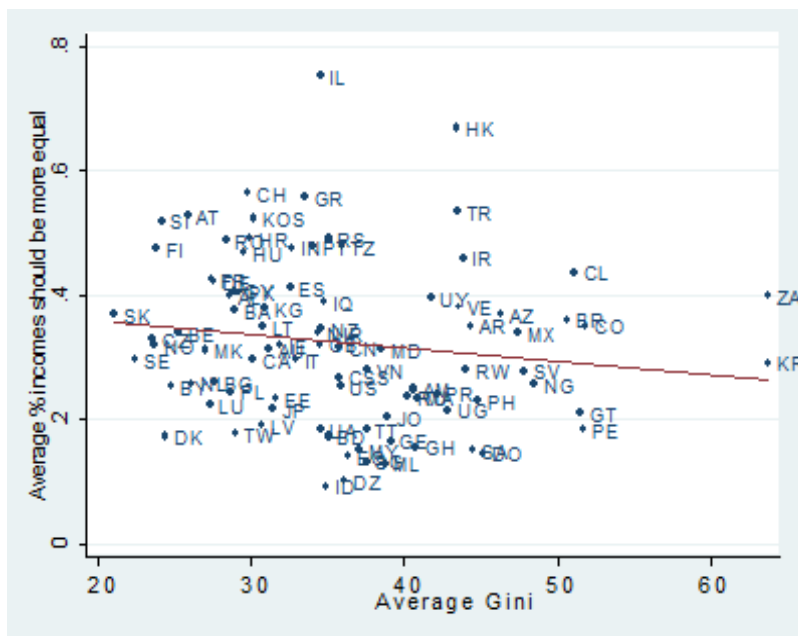
Verme (2011): income inequality decreases life satisfaction, but results depend on modelling assumptions.

Zagorski and Piotrowska (2012) do not find a significant effect.

Grosfeld and Senik (2010): decreasing inequality aversion during the first years of transition in Poland, but they also show that increasing inequality lowers satisfaction in later years.

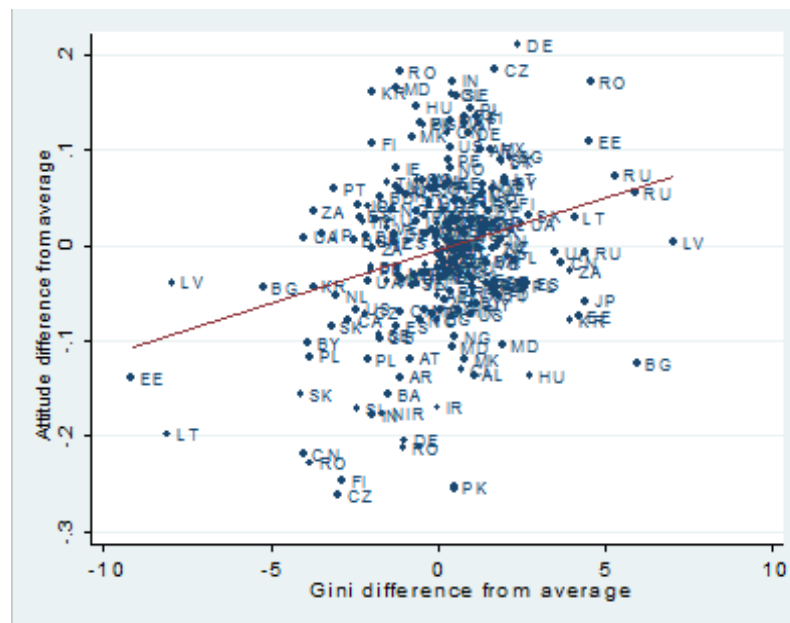
- Agreement with „inequality too large”. Cross sectional estimate: nonsignificant effect of inequality change is positive (Hadler 2005, Kerr 2011, Medgyesi 2013).

Cross-country and inter-temporal relationship between income inequality and agreement with the statement that “inequalities are too large” (pooled WVS/EVS data)



Note: period averaged ginis and attitudes
Conclusion: no sig correlation in raw data

Source: Medgyesi 2013



Note: year by year deviations from period averaged ginis and attitudes
Conclusion: attitude change correlates to inequality change

Inequality and political participation

- To study political participation is important for three reasons
 1. it is important *per se* (as an indicator of the level of democracy)
 2. it could affect inequality directly or indirectly
 3. it has theoretical implications affects the MR argument (cf. income of median *voter* in MR type models)
- Political participation as engagement in political activities
 - e.g. party membership, volunteering, giving money to parties, writing letters to politicians.
 - but *voter turnout* is the most straightforward and most studied

Inequality and participation: theoretical links and predictions

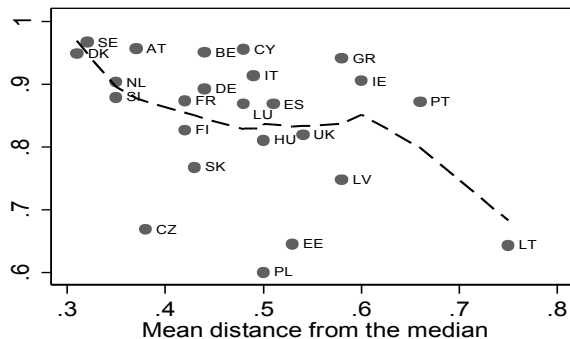
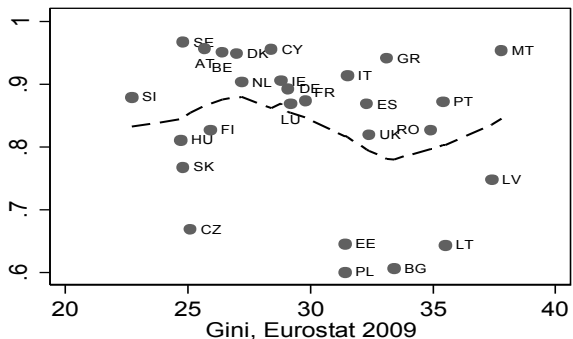
Two arguments

- ‘psychosocial’ (or sociological)
inequality goes strongly together with factors (e.g. trust) that affect participation
- neo-material (or resource-based)
differences in individual resources affect individual participation

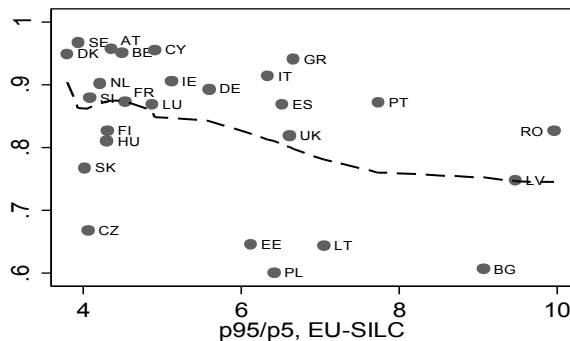
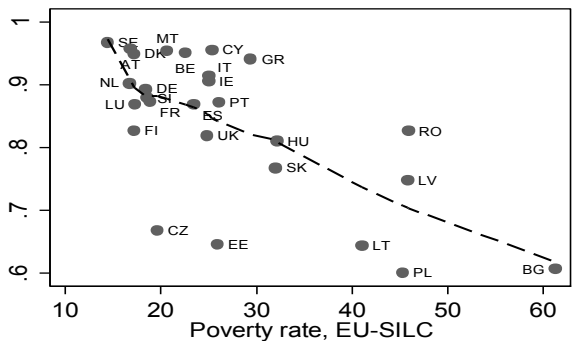
Empirics

- There is a (weak) negative association between inequality and political participation.
- Only a handful of studies.
- No clear causal link.
 - Solt (2010); Scervini and Segatti (2012) : poor/less educated are less likely to cast a vote, as inequality goes up, since their expected benefit from voting declines.
(increased inequality -> declining participation)
 - Mueller and Stratmann (2003): upper classes have higher participation rates than lower classes, they favour right of centre parties, and right of centre parties adopt policies that increase inequalities
(declining participation -> higher inequality)
 - Lister (2007): universal welfare states encourage solidarity but they also encourage (democratic) participation
(universal welfare state-> lower inequality, universal welfare state -> higher participation)

Inequality and voter turnout: negative association (lowess smoother results for various proxies of inequality)



- Predicted voter turnout is almost always negative, but at very low and very high levels of the Gini



- Negative association is strongest with poverty

Note: predicted probabilities are for a 40 year old man with average income, who finished education at age 18 (averaged for the countries)

-- LOWESS smoother (Locally weighted scatterplot smoothing), provides the strength of association (OLS beta parameter) of the two variables for several subsets of the horizontal axis variable. Its main advantage is that it does not assume any function-shape between the two variables.

Source: Horn (2011: 22), data from PIREDEU (2009) database

Findings on voter turnout and inequality

- The association of inequality and voter turnout is negative (and remains negative – or at least *not positive* - when individual characteristics and institutional effects are *controlled*) (PIREDEU data European Elections 2009)
- Also:
 - tests of lower turnout -> higher inequality
 - and universal welfare state assumptions are not conclusive (hypotheses not supported)
- In short, it seems that political participation is associated with inequality – and thus the MR story is affected – but the causal link is not clear
- A diff-in-diff (contrasting participation change to inequality change) analysis or natural experiments would provide better tests

Summary statements and conclusions

1. Demand for redistribution, in addition to rational self interest, is also driven by general attitudes about the role of personal responsibility in one's own fate, of general beliefs about causes of poverty and the like.
2. The overall levels of income inequalities do explain (part of) cross country variance in demand for redistribution. Larger aggregate inequalities do correspond to larger redistributive demands (on country level).
3. CHANGE in inequality provokes CHANGE in frustration with inequality.
4. Level of inequality corresponds negatively to voter turnout.
5. Actual effect of inequality change on change of redistribution will depend on political transmission between attitudes and (political) behaviour

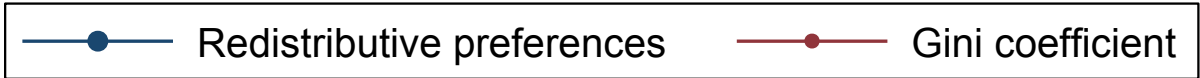
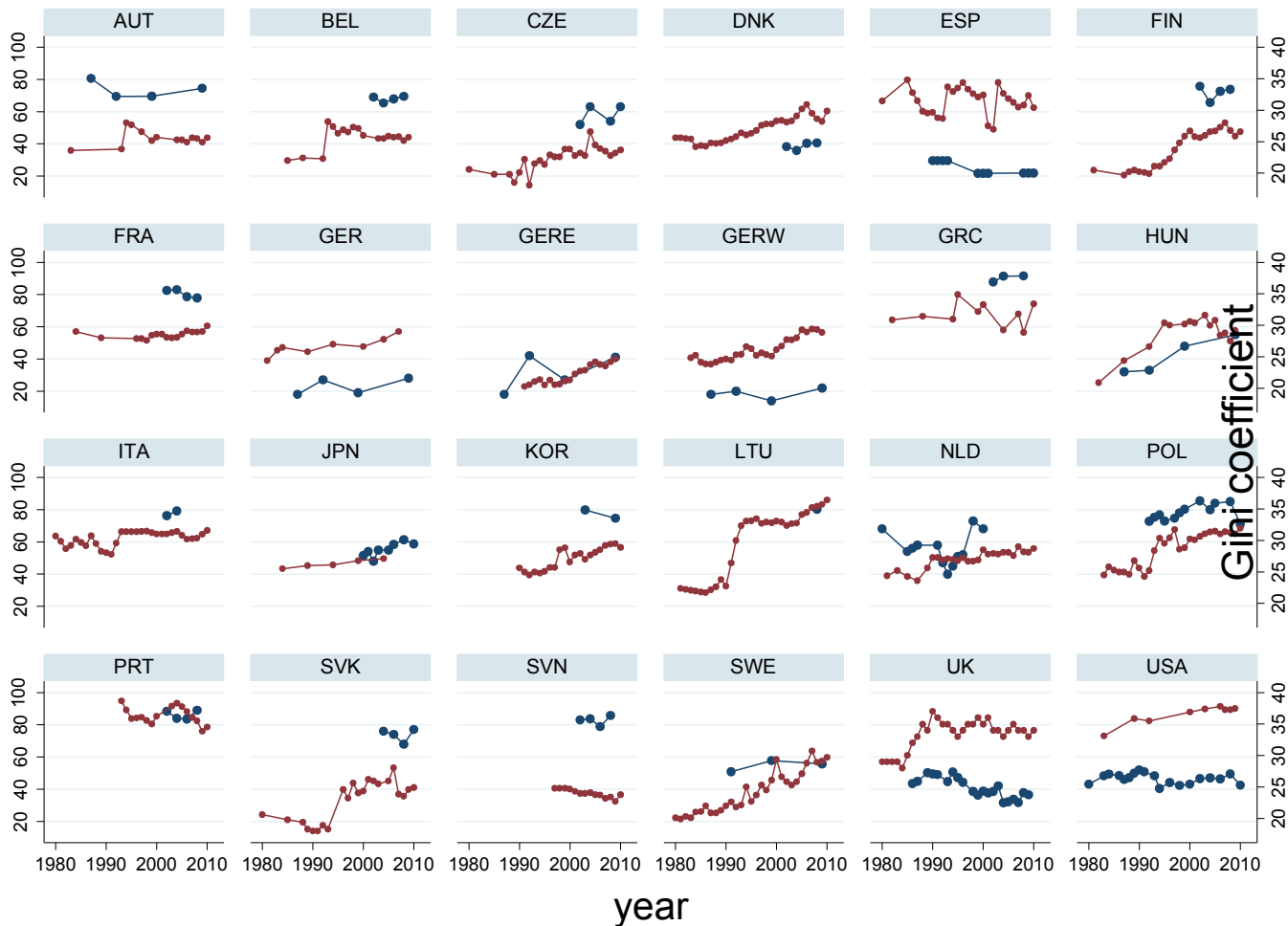
www.tarki.hu

www.gini-research.org

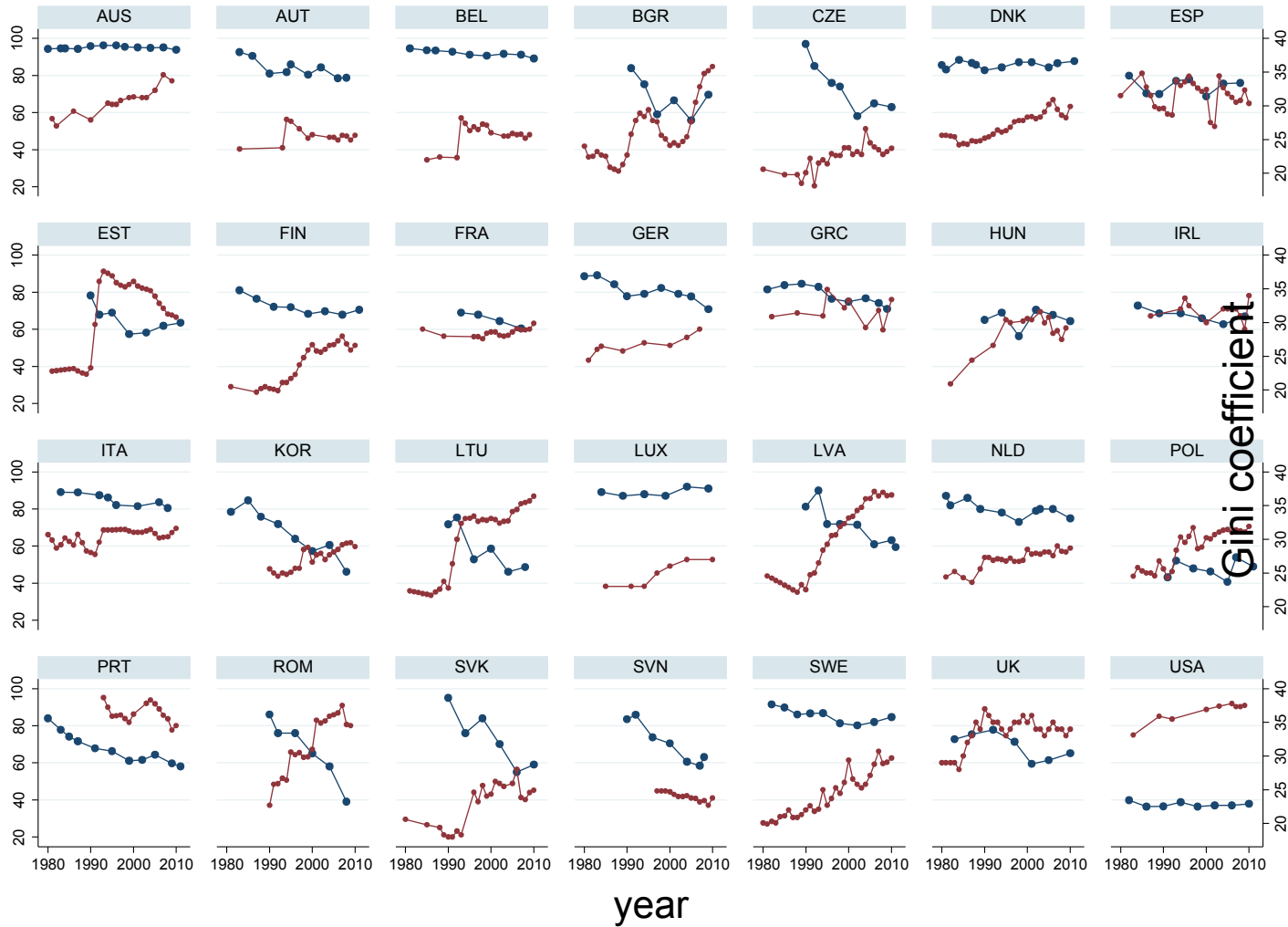
Thank you for your attention

Annexes

Redistributive preference and inequality (Werfhorst, on GINI database)



Turnout and inequality (Werfhorst, on GINI database)



Formulations/tests of political processes

General frame of explanation: Meltzer – Richard (1981) modell

(but also: Iversen and Soskice, Moene-Wallerstein, Korpi 2006 (et al))

Most literature searches how can we get closer to a better prediction of redistribution – from inequality as a starting point. They succeed – mostly. (revs: Borck, 2007, Alesina, Giuliano, 2009, McCarty and Pontusson, 2009, Mahler, 2010 and others)

Preference formation (Benabou and Ok, 2001, Corneo and Gruner, 2002, Fong, 2001, 2006, Lupu and Pontusson, 2011, etc)

Expectations, POUM, „aesthetic” preferences, socialization, reference groups, social affinity, etc – all IN ADDITION TO material motivations

Various forms of redistribution (Moene and Wallerstein, 2001, Borck 2007, Kenworthy and Pontusson, 2005, Mahler, 2010)

(from top to bottom, from bottom to top, from middle to ends, from ends to middle)

Party politics

(left/right representation, issue bundling, etc)

Voting and participation (Pontusson and Rueda, 2010, Mahler, 2010, others)

(both directions: the poor mobilize the left and vice versa)

Other formulations of the game: corporatism, (Rueda and Pontusson, 2000, Pontusson, Rueda and Way, 2002) class politics (tbc)

Interest groups and lobbies (tbc)