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Income Inequality and Support for Development Aid

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Introduction

The aim of this paper is to explain people's support for development aid. While both attributes like philanthropy and solidaristic value orientations have been broadly analyzed by scholarship, this paper uses these conceptual bases in answering what shapes people's attitudes towards development aid (Bekkers 2007; Arts & Gelissen 2001). Ignoring whether people are actually willing to give for development aid projects, or whether it is rather the state that supports developing countries by means of Official Development Assistance (ODA), I focus solely on people's conviction that the richer countries should redistribute to the poorer countries. Hence, this research implies a focus on individual as well as contextual predictors that shape people's opinion concerning giving to less developed countries.

In particular, the analysis tests whether domestic income inequality spurs the importance that people attach to development aid. It has been found that domestic levels of income inequality are perceived by citizens and lead to various reactions within societies. This article aims to contribute to the literature that deals with the societal impacts of inequality.

Theoretical implications suggest that high domestic income inequality diminishes support for development aid: First, it is suggested that support for both international and domestic redistribution rest upon solidaristic and egalitarian ideals. Yet, it has been shown that such values are negatively affected by inequality. Second, Noël & Thérien (2002) proposed that support for international redistribution is only approved if the domestic economic situation allows for it.

Based on cross-sectional Eurobarometer survey over almost two decades, the relationship between national inequality and people's preferences regarding international development assistance will be investigated.

The organization of the paper is as follows. First, I will introduce the theoretical implications and derived hypotheses. In a methodological section, I will describe the data and research design applied in this paper. The last two chapters are devoted to the analysis' results and interpretation before I conclude with final remarks and limitations of the analysis.

Theoretical framework & hypotheses

This paper explains how support for development aid comes about. Support for development aid is framed as a rather general concept: the concern of this analysis is not whether one is personally willing or able to donate for international development aid, or whether one approves the government's provision of ODA, but focuses rather on people's opinion and conviction that development aid is a pivotal concern in richer societies. So it does not refer to individual responsibility, as both the state as well as the individual might be the actors of reference.

It is suggested that support for development aid is not solely shaped by individual attributes like religious affiliation and socioeconomic characteristics, but certainly also by other components. Yet, while also micro predictors are taken into account, the analysis' main focus is on the question how importance attached to development aid is shaped through contextual variables. In particular, the analysis deals with the effects of a country's level of income inequality on people's opinion about development aid which is broadly stressed within the next sections. Afterwards, I will briefly refer to other macro and micro level factors that might shape people's approval of development aid.

Income inequality and support for development aid

On a micro level, individual morals entailing whether one approves development aid are certainly shaped by one's own living condition, by the morals conveyed within the family or environment one grew up with and religious orientations. Ignoring sociological and economic concepts that assume a mere self-interested benefit maximizing individual, this argument rests partly on the paradigm of new institutionalism. Understood as a social norm, solidarity is a concept deeply rooted in societal context as well as familial socialization and prone to be shaped by economic, social and various other conditions (Nee & Ingram 1998). Thus, people have feelings of sympathy and compassion for others, certainly for those having less than oneself. Such feelings might rest upon socialization, living context as well as approval by others. In a recent paper, Henson and Lindstrom (2012) show that such micro-level morals affect people's attitudes towards developmentaid: based on British data, their study revealed that self-interest is positively related to support for cuts in development aid, while the effect was negative regarding moral duty. However, such orientations might not only be shaped through micro level attributes and individual experiences but also by macro contexts. For example, whether and how development aid is dealt with within a giving country's media can shape people's support for international redistribution. Further, a country's dominant ideology, value orientations and political positioning regarding international development might shape whether a society as whole approves it.

This paper supposes that also the level of societal income inequality spurs the approval for development aid. During the last decades, many advanced democracies have experienced a rise in inequality (OECD 2011; 2008). In conjunction with this development, scholars have identified undesirable societal developments, impacts within the political sphere as well as changes in attitudes and norms. It has been found that inequality spurs societal trust and satisfaction with current democracy, trust in politicians and governments (Schäfer 2010; Uslaner & Brown 2005; Uslaner 2002). In line with the findings of rising political dissatisfaction, inequality has been identified to diminish overall turnout in national elections (Horn, 2011).

In fact, scholars also found that inequality alters norms and values in the long-run. Societies that experience high levels of income inequality seem to modestly attach less importance to values that foster societal cohesion like tolerance. At the same time, individualist values like work ethic become more pronounced (Lindbeck & Nyberg 2006; Lindbeck, Nyberg & Weibull 1999; Corneo 2011). These findings suggest that values regarding societal cohesion and cooperation are shaped by broad socioeconomic developments like the domestic level of inequality.

Analyzing people's solidarity across countries, Arts & Gelissen (2001) found that people in the Mediterranean countries and social-democratic welfare states show significantly higher solidaristic value orientations compared to other citizens. With the objective to explain the size of Official Development Assistance, some scholars argued that underlying societal values like solidarity lead to a societal consensus of commitment – both on the national and the international level. Hence, the size of governmental development aid reflects the magnitude of redistribution within a country, resulting in a positive correlation

betweenspending for national social policies and international redistribution (Lumsdaine 1993; Stokke 1989). Olav Stokke (1989) explains governmental development aid grounded on the idea of humane internationalism: living in well-off countries brings about a moral obligation to help exposure countries. For example in Sweden and Norway, the state perceives development assistance as a responsibility due to an underlying ideology of helping the disadvantaged (ibid, 278). Further, the size of a country's Official Development Assistance (ODA) seems to be related to social policy institutions: with reference to Esping-Andersen's welfare state classification, it has been found that social democratic states give the most, followed by conservative states while liberal states give the least (Noël & Thérien 1995).

Though, what does that say about the association between national inequality and people's approval of international redistribution? Assuming first, that public support for international giving of people living in affluent countries rests upon fundamental values like solidarity and that second, a country's income inequality negatively spurs societal norms, it can be expected that support for development aid is lower in countries where income inequality is high.

Yet, it is arguable whether solidarity is a universal concept. Solidarity and sympathy might rest upon closeness and homogeneity within social groups. For example, akin members of a group might show more solidarity among each other due to their commonalities and similarities in living situation. Consideration for fellow citizens might be also higher the closer they live by, while solidarity and concernment towards strangers and people living far away is given to somewhat lesser extent. Thus, it is questionable whether solidarity holds as a theoretical argument that explains support for international redistribution in light of increasing domestic inequality.

However, the relationship between domestic inequality and people's support for development aid can be also examined from a different angle. The Richard-Meltzer-theorem predicts a higher demand for redistribution the higher a country's actual level of inequality (Meltzer & Richard 1981). Although this approach has not yet found clear empirical confirmation, it is still the initial point in explaining domestic redistributive demands (Kenworthy & McCall 2008; Lübker 2007; Finseraas 2009; Tóth & Keller 2011).

In their article "Public Opinion and Global Justice", Noël and Thérien (2002) suppose a negative equilibrium between support for domestic redistribution and international giving which rests upon domestic levels of inequality. How is this relationship explained? In contrast to the above described argument that support for international as well as domestic redistribution are positively correlated as they both reflect deep-rooted value orientations, Noël and Thérien propose that public opinions are not only shaped by underlying stable value dimensions, but also sensitive to actual social, economic and political conditions within a given state. Hence, people should be also sensitive to within country inequality. Their argument is based on the following mechanism: if income inequality is low, people will be satisfied with the given level of redistribution within their country rather than demanding more. In contrast, they favour more international redistribution. To sum up, the authors propose a negative relationship between people's demand for domestic and international redistribution, which is rooted in a positive relationship of domestic income inequality and demand for domestic redistribution, and a negative relationship between income

inequality and international redistribution. In their own empirical assessment of the proposed relationship they found indeed a negative correlation of people's support for domestic redistribution and international redistribution. Yet, their results merely rest upon a correlation of aggregated cross-country data of ten European countries in 1995 without controlling for confounding variables like GDP.

Thus, the analysis presented in this article enhances Noël and Thérien approach. In light of high inequality, support for international redistribution should be low, while large domestic redistribution should lead to the fact that people are satisfied with it and hence demand more international giving. Asking British citizens about their government spending priorities, it was indeed found that global poverty is an important issue among international problems, but that it is less a concern in comparison to national issues (DFID 2009). Also based on British data, Henson and Lindstrom (2012) found that agreement to the statement priority should be given to poverty alleviation at home to be significantly positively related to approval of cuts in development aid.

Due to a methodological concern, this paper concentrates solely on the second part of the mechanism proposed by Noël and Thérien, namely the relationship between inequality and attitudes toward international redistribution. It is suggested that people are more sensitivetowards net income inequality rather than towards gross inequality as this refers to the resources that are on a household's disposal. Therefore, the income inequality indicator that is used within this analysis is net income inequality i.e. after tax deductions and benefits. Yet, it is problematic to include both net inequality and redistribution in the analysis as they are highly negatively correlated (for the time period and set of countries used in this analysis it was -0.62). Hence, the investigation of the triangular relation between inequality, demand for domestic redistribution and international redistribution remains a task for prospective research.

The following hypothesis concerning the relationship between inequality and approval of development aid will be tested:

H1: The higher the domestic level of inequality, the lower the support for international redistribution.

The effect of inequality and individual income

While the prior sections dealt with the relationship of income inequality on opinions about international giving, it will be stressed whether economic differences within a given society affect the approval of development aid. It is particularly of interest whether the economic situation shapes whether one supports or refuses international redistribution.

First, I suppose that the approval of international solidarity increases by income. People who do not earn a lot might have less comprehension that their government supports people abroad, while people living within the country deserve and need more financial support as well. In a recent study, Chong and Gradstein (2006) also found that people tend to be more in favour of higher public development aid the higher their income.

Further, it is suggested that this effect should be more pronounced under conditions of high inequality, as people with low incomes in highly unequal societies might perceive international redistribution as unfair while they are the most affected by income inequalities.

H2: The higher the individual income, the greater the support for development aid.

H3: Domestic inequality diminishes the support for development aid among low-income earners.

Official Development Assistance

The first two explanatory factors for support of development aid referred to the contextual and individual economic situation. Yet, it can be also tested whether the actual level of a state's Official Development Assistance affects people's support for it. The research design chosen within this article does not allow for a causal interpretation of this relationship: a positive relationship between the actual level of a nation's development assistance and public approval of it is proposed. No causal claim can be made how this relationship comes about. It might be the case that governments with high levels of ODA also actively try to persuade the population by spreading information and educating the population about it. People take notice of the problems and needs of the developing countries which might thereby increase their support for development aid. On the other hand, high ODA can be a reflection of people's preferences: people elect governments that consider ODA as a pivotal issue or that pursue egalitarian policies in general. Yet, it has been found that people are rather uninformed about their countries development assistance activities and strategies. Most people do not know whether their own state gives a lot or not relative to other governments, and whether government's development assistance rises or declines (Smillie 1999). Further, the definition of development aid may remain unclear as people may confound it with humanitarian help (Hudson & van Heerde-Hudson 2012). In a case study based on five countries, Otter (2003) found weak evidence for the link between ODA size and people's support of it. In four countries, ODA size was not affected by changes in societal support for development assistance. Only for Denmark, a positive association was found which the author explained with reference to civil society involvement for global poverty. This is in line with Olsen's (2001) finding that public support for development assistance and aid policy are not connected. Yet, he also found a positive link in case of humanitarian emergencies that are accompanied by high media coverage.

H4: The higher a government's Official Development Assistance, the higher the people's support for development aid within this country.

Data and estimation procedure

The analysis is based on cross-sectional unbalanced panel data of the Eurobarometer survey. The Eurobarometer surveys opinion of citizens within all European Union member states concerning various issues related to European citizenship[1]. Questions about international development aid are included in the years 1983, 1987, 1991, 1995, 1996, 1998 and 2002[2]. In total, the analysis focuses on sixteen countries. For France, Belgium, the Netherlands, Germany, Italy, Luxembourg, Denmark, Ireland, Great Britain and Greece, data from all seven waves were available. Data from Spain and Portugal are available for all waves except for the first wave in 1983. Norway only participated in 1991 and 1995 and citizens from Finland, Sweden and Austria contributed from 1995 onwards[3]. The German sample of 1983 and 1987 refers to West Germany only; for the post-1990 waves, the survey sample takes reunited Germany into account. The overall sample consists of 101 307 respondents.

Table 1. Description of sample and number of respondents by country

Country	Waves	Respondents	Percent
France	1983, 1987, 1991, 1995, 1996, 1998, 2002	7,059	6.97
Belgium	1983, 1987, 1991, 1995, 1996, 1998, 2002	7,214	7.12
Netherlands	1983, 1987, 1991, 1995, 1996, 1998, 2002	7,150	7.06
Germany	1983, 1987, 1991, 1995, 1996, 1998, 2002	12,379	12.22
Italy	1983, 1987, 1991, 1995, 1996, 1998, 2002	7,258	7.16
Luxembourg	1983, 1987, 1991, 1995, 1996, 1998, 2002	3,622	3.58
Denmark	1983, 1987, 1991, 1995, 1996, 1998, 2002	7,014	6.92
Ireland	1983, 1987, 1991, 1995, 1996, 1998, 2002	7,018	6.93
Great Britain	1983, 1987, 1991, 1995, 1996, 1998, 2002	9,361	9.24
Greece	1983, 1987, 1991, 1995, 1996, 1998, 2002	7,023	6.93
Spain	1987, 1991, 1995, 1996, 1998, 2002	6,016	5.94
Portugal	1987, 1991, 1995, 1996, 1998, 2002	5,943	5.87
Norway	1991, 1995	1,954	1.93
Finland	1995, 1996, 1998, 2002	4,100	4.05
Sweden	1995, 1996, 1998, 2002	3,990	3.94
Austria	1995, 1996, 1998, 2002	4,206	4.15
		101,307	

[1] More information about the Eurobarometer survey is available on http://ec.europa.eu/public_opinion/index_en.htm

[2] Exact datasets: Eurobarometer 20: Aid to Developing Nations, October 1983
Eurobarometer 28: Relations with Third World Countries and Energy Problems, November 1987
Eurobarometer 36: Regional Identity, and Perceptions of the Third World, October/November 1991
Eurobarometer 44.1: Education and Training Throughout Life, and the Common European Currency, November/December 1995
Eurobarometer 46.0: Personal Health, Energy, Development Aid, and the Common European Currency, October/November 1996
Eurobarometer 50.1: Information Society Services, Food Quality, the Family, and Aid to Development, November/December 1998
Eurobarometer 58.2: Health and Developing Countries, October/December 2002

[3] Eurobarometer surveys 62.2 (2004), 71.2 (2009), 73.5 (2010) and 76.1 (2011) deal with development aid, but do not include information about the respondents income. Therefore, these waves are not included in the analysis, but will be shown in the descriptive data analysis.

Dependent variable

Approval of development aid is measured by one single question. This is certainly not ideal, but no other items that could have served to construct a composite variable were available in all waves, as the design and structure of the questionnaire varied. Furthermore, data reliability is constrained by the fact that the questionnaire structure and topics included varied between waves. Although developing countries was always one of the main topics within the surveys considered, they also dealt with various other topics like for example education in 1995 or health in 2002. It cannot be ruled out that this affects reliability between waves: the other topics discussed within the questionnaire might shape the reactions regarding the development aid question. Also the question wording slightly changed between waves. In the four first waves (1983, 1987, 1991 and 1995), it is based on the following item that was asked among a set of other items:

> "Here is a list of problems that people of our country are more or less interested in. Could you please tell me for each one whether you personallyconsider it as a very important problem, quite important, not very important, or not at all important?
> Helping poor countries in Africa, South America, Asia etc."

Answering categories were very important, important, little importance and not important at all[4]. For the following waves (1996, 1998 and 2002), public support for development aid is measured as one stand alone question:

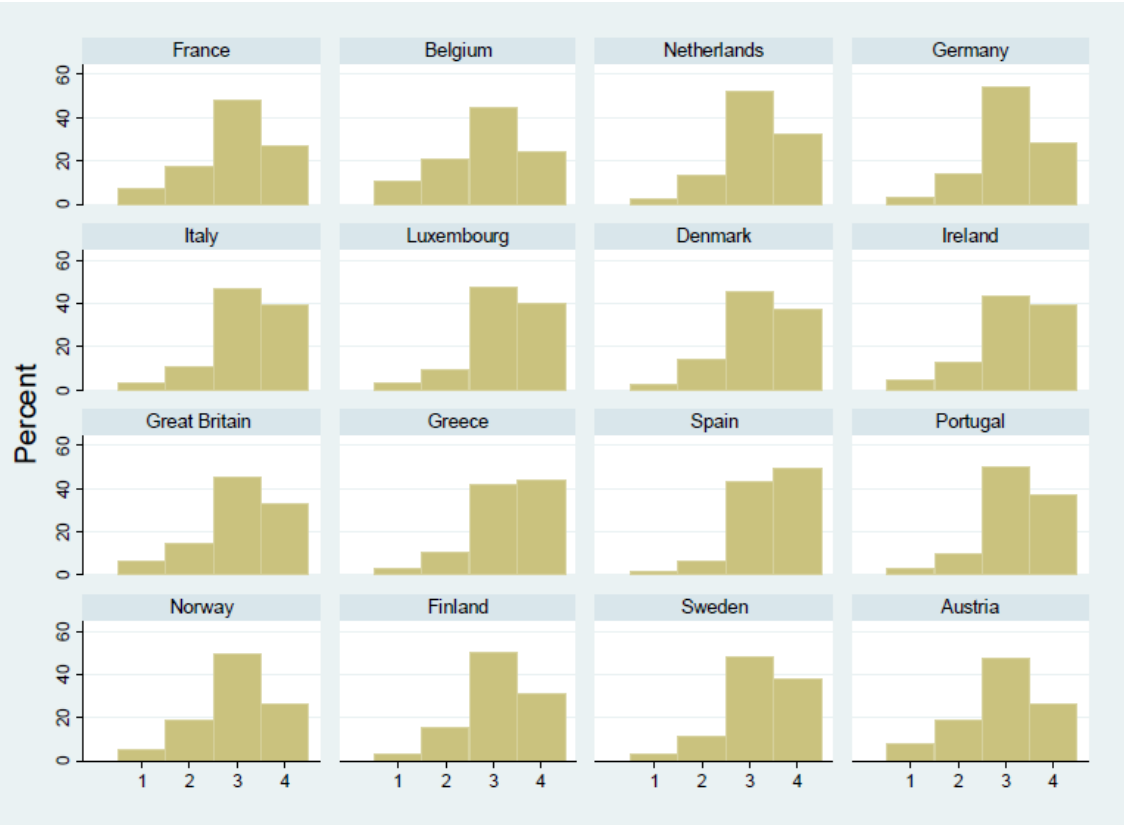
> "In your opinion, is it very important, important, not very important or not at all important to help the people in poor countries in Africa, South America, Asia, etc. to develop?"

Answering categories resembled those of the earlier question: Very important, important, not very important and not at all important[5]. The range of the variable was reversed, so that a higher figure indicates more support for development aid. Strictly speaking, this variable is ordinally scaled. Yet, in order to make use of linear estimation techniques, it is treated as a continuous variable.

Figure 1 shows the distribution of the variable by country for pooled data. In most countries the modus is coding 3 (quite) important, followed by the highest answering option very important. Greece and Spain differ, as most respondents indicated that they find development aid very important. However, the country's distribution's resemble each other in their left-skewed distributions. Austria, Belgium, France and Great Britain and Norway are the countries that have the highest proportion of respondents attaching low or no importance at all to development aid.

[4] The exact wording of the third answering option varied also between waves: in 1987, "little importance" is substituted by "fairly important"; in 1991 and 1995 it was "not very important".
[5] In 2002, the second answering category was not "important", but "fairly important".

Figure 1. Distribution of variable 'Importance of development aid' by country (Range: 1: not at all important — 4: very important)



Note: Pooled data; Source: Eurobarometer

Country differences of importance given to development aid by citizens are shown in table 2 which includes country means of pooled data. All means are very high, indicating that citizens of all countries are convinced that development aid is something pivotal. Yet, one needs to keep in mind that such items might be upwardly biased due to social desirability. The Mediterranean countries show high approval of development aid. Interestingly, people living in Spain and Greece, those two countries that contribute particularly little to ODA, express the greatest importance to development aid. In the middle group are the Scandinavian countries and the Netherlands, those with the highest share in ODA. The lowest value attached to development aid is indicated by people living in middle and West Europe.

Table 2. Country mean of the dependent variable 'Importance of development aid'

Country	Mean	Standard Error	95% Confidence Interval	
Spain	3.40	0.01	3.38	3.41
Greece	3.27	0.01	3.25	3.29
Luxembourg	3.23	0.01	3.22	3.27
Italy	3.22	0.01	3.20	3.24

Sweden	3.22	0.01	3.19	3.24
Portugal	3.21	0.01	3.20	3.23
Ireland	3.18	0.01	3.16	3.20
Denmark	3.17	0.01	3.15	3.19
Netherlands	3.14	0.01	3.13	3.16
Finland	3.08	0.01	3.06	3.11
Germany	3.07	0.01	3.07	3.09
Great Britain	3.06	0.01	3.04	3.08
Norway	2.98	0.01	2.94	3.02
France	2.95	0.01	2.93	2.97
Austria	2.93	0.01	2.90	2.95
Belgium	2.82	0.01	2.80	2.85

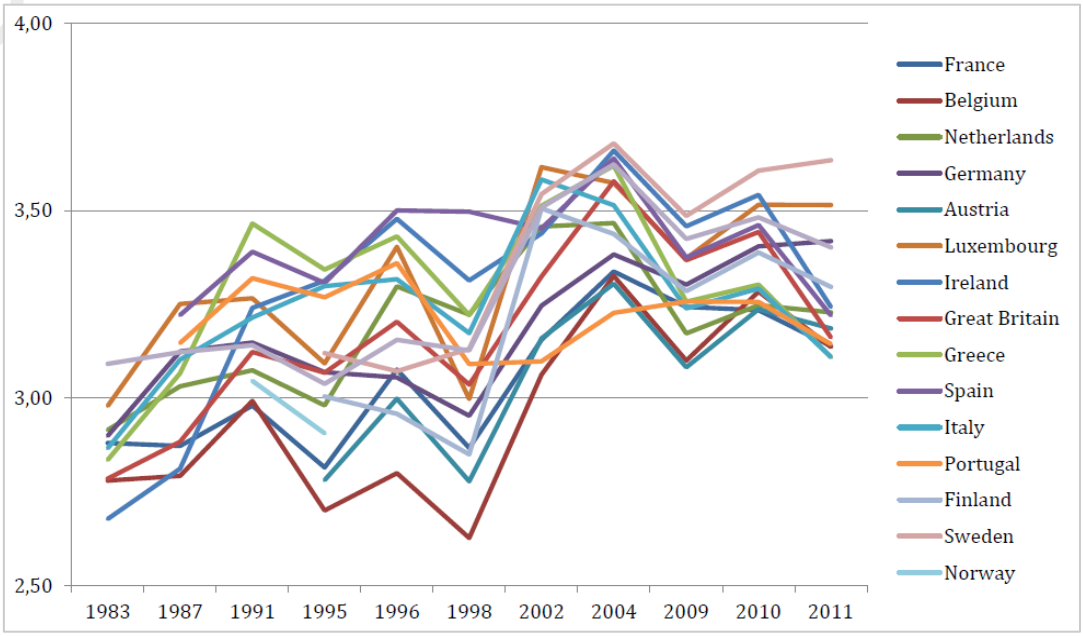
Note: Range: 1 not at all important - 4 very important, ordered by mean

Figure 2 shows country means by wave. In contrast to the analysis data, country means of recent waves have been added[6]. These were not integrated in the analysis as these survey waves lacked information on individual income. The general trend was an increase in approval of development aid, particularly at the turn of the millennium. This rise may be caused by the setup of the millennium goals and their high media coverage. As the question set up already changed between 1995 and 1996, this increase cannot be attributed to changes in the survey design. Another interesting observation is that citizen's approval clearly reflects the country's economic development: While Greece and Spain were the

Figure 2. Over time development of country means of variable 'Importance of development aid'

(Range: 1: not at all important — 4: very important)

[6] 2004: Eurobarometer 62.2, November-December 2004
2009: Eurobarometer 71.2, May-June 2009
2010: Eurobarometer 73.5, June 2010
2011: Eurobarometer 76.1, September 2011
Question wording in 2004 identical to 2002; Question wording in 2009, 2010 and 2011: "In your opinion, is it very important, fairly important, not very important or not at all important to help people in developing countries?". In 2011, a reference to European engagement with the following introductory sentence was added: "The EU provides development aid to assist certain countries outside the EU in their fight against poverty and in their development. EU development aid consists of the aid provided by both the European Commission and the national Governments of the EU Member States."



Source: Eurobarometer

countries with the highest support during the 90s, they rank now among the countries with the lowest approval. A similar development is visible for Ireland. Year means of the dependent variable vary considerably from wave to wave. Yet, whether this is due to a change in question wording is doubtful as the means also changed considerably from one wave to the next when no changes in survey design occurred. The overall mean of support for international development aid dropped from 3.20 to 3.06 between 1996 and 1998 and increased again to 3.37 in 2002. Further, this huge variation cannot be explained by the fact that the countries number increases successively from wave to wave. Overall year means for a restricted set of countries for which information was available for all waves were compared to year means of the countries for which information was available for each year and revealed no huge difference between the two.

Independent variables

Within the next sections, the independent variables will be described. I will first refer to the macro variables before I turn to the micro predictors and control variables. Although one can expect that this set of advanced European democracies is a quite homogenous sample in terms of value orientations, political and economic context, there are significant differences both in inequality levels and provided Official Development Assistance. For example, the Scandinavian countries and the Netherlands are among the most generous countries while they also show persistently low levels of domestic income inequality. Descriptive information about the contextual variables is included in table 4.

The **Gini** is an index for the distribution of incomes. It ranges from 0 to 100 where 0 indicates a totally equal income distribution. Assuming that people are rather sensible to net inequality as this refers to the household income that people have at their disposal, this analysis is based on net Gini coefficients. Net Gini coefficients are based on the Standardized World Income Inequality Database (SWIID, Solt 2009). As an enhancement of the Luxembourg Income Study (LIS) and the World Income Inequality Database (WIID), the SWIID provides comparable estimates for a wide range of countries and years.

For the years and countries used within this study, Portugal had the highest Gini coefficient in 2002 (35.87), the lowest one has been measured in Finland in 1995 (21.70). Most countries have an average Gini between 20 and 30. Further, most countries' income inequality increased between the 80s and 2002. According to the SWIID data, only France, the Netherlands, Denmark and Ireland were able to diminish their Gini between 1983 and 2002. The coefficient of Austria also decreased from 1995 onwards, the first wave when Austria participated in the survey considered in this analysis. The South European countries Italy, Portugal, Greece and Spain show persistently high net Gini coefficients above 30, with sharp increases from 1983 and 1987 to 2002 in Italy, Spain and Portugal (+3.99, +6.15 and +5.65, respectively). Among the high inequality countries are also Great Britain and Ireland, although Ireland was able to decrease its net inequality level between 1983 and 2002 by two points. Unsurprising, the lowest net income inequality coefficients are found in the Northern European countries.

Table 3. Descriptive statistics of macro variables GDP, Gini and ODA

Country	Waves included	GDP, in 1000 US Dollar		Gini, range 0-100		ODA, as % of GNI	
		Mean	Difference	Mean	Difference	Mean	Difference
France	1983-2002	19.48	14.99	26.83	-2.23	0.51	-0.19
Belgium	1983-2002	19.32	15.48	24.72	4.00	0.42	-0.16
Netherlands	1983-2002	20.00	15.75	25.49	-0.89	0.86	-0.10
Germany	1983-2002	20.96	14.97	27.25	1.98	0.33	-0.21
Italy	1983-2002	17.96	13.48	32.57	3.99	0.23	0.00
Luxembourg	1983-2002	33.51	35.57	25.44	1.76	0.45	0.69
Denmark	1983-2002	21.19	16.54	23.58	-3.44	0.93	0.23
Ireland	1983-2002	15.68	21.24	32.72	-1.99	0.27	0.20
Great Britain	1983-2002	18.58	16.26	32.61	6.75	0.30	-0.04
Greece	1983-2002	11.03	8.67	33.31	1.28	0.17	0.06
Spain	1987-2002	15.61	11.59	32.24	6.15	0.21	0.18
Portugal	1987-2002	13.76	10.56	33.32	5.65	0.23	0.16
Norway	1991-1995	21.37	3.86	23.44	0.70	1.00	-0.27
Finland	1995-2002	20.15	6.52	22.96	3.28	0.32	0.04
Sweden	1995-2002	22.76	5.74	22.09	0.11	0.79	0.07
Austria	1995-2002	24.62	6.46	26.85	-1.14	0.24	-0.01

Note: Country means are based on the waves a country participated in the survey. Difference refers to the change in the macro variable from the earliest wave of participation compared to the last wave.

Official Development Assistance (ODA) is a measure for official governmental international aid flows and is based on OECD data. International financial flows are considered as ODA if it concerns public funds, it aims at development or welfare of other countries, and at least 25% of the provided sum needs to be a grant, rather than a loan. Yearly size of a country's Official Development Assistance (ODA) are based on OECD calculations and are included as total net official development assistance in percentage of gross national income (GNI) in US dollars (OECD/DAC 2012).

Official Development Assistance as percentage of a country's gross national income varies a lot between countries. The Mediterranean countries gave the least, although Spain and Portugal raised their share significantly between 1987 and 2002 from 0.08 to 0.26 and 0.11 to 0.27, respectively. By far, the Netherlands, Denmark, Norway and Sweden are the countries with the highest contributions. Interestingly, there is no clear pattern in changes: while most of the EU founding countries have decreased their ODA as a share of GNI between 1983 and 2002, some other countries have raised their contribution, for example Luxembourg whose GNI also increased significantly during the same period (+0.69 between 1983 to 2002).

Not surprising, Gini coefficients and ODA are strongly negatively correlated (-.64) indicating that in countries with high levels of net inequality, contributions in terms of ODA seem to be low as well.

Monthly household income is included based on a survey question within the Eurobarometer and comprises all kinds of income including wages, salaries, pensions, social insurance benefits and child allowances of all household members before tax and other deductions. The Eurobarometer survey provides 12 country specific income categories that are based on country- and year adjusted income distributions. Hence, the income indicator is not an absolute income measure, but rather a relative one that makes it possible to compare overall income differences (poor compared to rich in all countries), while wealth differences between countries will be grasped by GDP. In 1995, the income categories in the Portuguese

questionnaire differed from the conventional 12 answers, but only offered a 1 to 8 range. Unfortunately, these observations needed to be excluded in the analysis.

Assuming that people at the low end of the income distribution are the most affected by high income inequality, an **interaction term** is included to test whether poor people's attitudes towards international development aid are more strongly spurred by the degree of inequality they experience. The interaction term is the product of a dummy variable for belonging to the country's lowest monthly household income quartile, which is also provided by the Eurobarometer survey, and the net Gini coefficient. In addition, a similar interaction term is added for the highest income quartile and income inequality.

Control variables

Gender is included as a dummy variable where males are coded 0 and females 1.

Age is a continuous variable starting at age 15, the minimum age of participation.

Political orientation is included as left-right self-placement on a scale ranging from one to ten where a low number indicates a left orientation.

Education. Unfortunately, the Eurobarometer dataset does not include detailed information about respondent's educational degrees. Rather, one question asked about respondent's age when leaving school. This variable is recoded into an ordinal scaled variable with four categories: left school at age 15 or before serves as a proxy for no or lower secondary education. Leaving school between the age of 16 and 19 is comparable to middle or high secondary education, while leaving general education when the respondent was 20 years or older suggests some kind of tertiary education. The fourth category includes respondents that were still within the educational system when participating in the survey. An obvious shortcoming of this education measure is that slow learners might remain longer in general education without achieving high educational degrees.

As a comparative indicator for cross-country wealth, the **real gross domestic product per Capita** (**GDP**) in US dollar is included. It is based on the Penn World Table which provides a large data source of harmonized economic indicators (Heston et al. 2002). As table 4 indicates, Luxembourg has by far the highest mean GDP in all years the survey was conducted. Furthermore, it also has the highest growth of GDP per capita between 1983 and 2002, namely from 13.800 to 49.400 US dollar. The Mediterranean countries and Ireland are the countries with the lowest GDP during this period.

Estimation Strategy

As respondents are not independent, but rather nested in countries and years, a hierarchical linear regression method is chosen. Respondents are clustered in country-years in order to distinguish contextual and individual level variance. The higher level unit country-years comprises in total 96 groups. Hierarchical mixed linear regression models are used that allow the country-year-groups to vary randomly across the intercept. All estimations are conducted with Stata 11.2 (StataCorp 2009).

First, using an empty variance components model, it will be tested whether the assumed hierarchical data structure is actually observed. In a second basic model, country and year fixed effects are checked. Then, I will start testing the proposed hypotheses by including successively macro and micro level independent variables. In these models, country fixed effects are not included. In the last model, I will conduct a strict test of the effect of the inequality coefficient by including country fixed effects again.

Results

Table 5 shows the results of the two base models. Model 01 is a simple variance-components-model that merely distinguishes the variance found at the individual level and at the country-year level. The intra-class correlation indicator Rho shows that 8% of the entire variance of the dependent variable can be attributed to the context variable country-years. Further, the likelihood ratio test, comparing the conducted model to a model without group clusters, gives a statistically significant chi square value, indicating that country-year intercepts do indeed vary. Hence, it can be concluded that controlling for higher level clustering is necessary in the analysis.

In model 02, year as well as country fixed effects are added to the analysis. The country-year variance indicated by rho shrinks to 0.02. Not surprising, all year coefficients are significantly positive, indicating that the support for development aid increased over time. Yet, this effect is not linear, but unsteady. Most country coefficients are positive, indicating that approval for development aid is higher in those countries compared to the reference country France. Quite a number of country coefficients lack significance (among them Great Britain, Norway, Finland and Austria). Country coefficients reflect the country means confirming that approval for development aid is particularly high in countries like Spain and Greece.

Table 4. Empty random intercept model and random intercept model with country and year fixed effects

	Model 01	Model 02
Reference: 1983		

1987			0.14**	(0.05)
1991			0.30***	(0.05)
1995			0.21***	(0.05)
1996			0.34***	(0.05)
1998			0.19***	(0.05)
2002			0.51***	(0.05)
Reference: France				
Belgium			-0.13*	(0.06)
The Netherlands			0.19**	(0.06)
Germany			0.12*	(0.06)
Italy			0.27***	(0.06)
Luxembourg			0.28***	(0.06)
Denmark			0.22***	(0.06)
Ireland			0.23***	(0.06)
Great Britain			0.11	(0.06)
Greece			0.32***	(0.06)
Spain			0.41***	(0.06)
Portugal			0.22***	(0.06)
Norway			0.01	(0.09)
Finland			0.06	(0.07)
Sweden			0.20**	(0.07)
Austria			-0.09	(0.07)
Constant	3.13***	(0.02)	2.71***	(0.05)
Log lik.	-111428.47		-111357.34	
Chi2 Value	7303.99		1435.41	
P-Value	0.00		0.00	
Rho	0.08		0.02	
N (N groups)	96126 (96)		96126 (96)	

Standard errors in parentheses * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Now, micro and macro predictors are added to model M01 (country fixed effects are not included in these models). Model 1 shows a mixed model with random country-year-intercepts, fixed effects for years and individual level predictors. Due to missing values, particularly concerning income, the sample size reduces drastically. Furthermore, as income categories for Portugal in 1995 are not consistent with the overall measure, observations from Portugal in 1995 are excluded, resulting in 95 country-year-clusters.

As expected, the 12 category variable for income is significantly positive indicating that the support for development aid increases with the respondent's household income. Yet, it is marginally low. Regarding other demographic characteristics, Model 1 reveals that women show significantly higher approval of development aid, a finding that confirms earlier research results (Paxton & Knack 2008). Like income, age does not seem to be a strong predictor for approval of development aid: the coefficient is significant on a 0.01 level and positive, but like income marginally low. Among the micro level predictors,

education spurs support for development aid the strongest: while approval of development aid increases on average by 0.03 units for someone who left the educational system between age 16 and 19 instead of age 15 or younger, those who were at least 20 when finishing education show on average already 0.18 more support for development aid on the 1 to 4 scale. The last education category consists of respondents that are still in education i.e. students and pupils. Those have the highest coefficient. On average, those in the education system show one quarter of a unit higher approval for development aid on the 1 to 4 scale. In line with expectations, it can be clearly confirmed that approval for development aid increases with educational level achieved. These results are contrary to Henson and Lindstrom's findings (2012): they neither found an effect of education nor of gender, while age increased the likelihood to support cuts in development aid. The coefficient of left-right self-placement is highly significant, but moderately negative indicating that development aid becomes less important the more right one positions oneself on the 10 item scale.

In model 2, the control variable GDP is added to the analysis. Its effect is marginal: it is almost 0 and lacks significance. Model 3 includes the Gini coefficients. A negative effect was expected. Surprisingly, an opposing effect is found: it is positive and significant on a very high level indicating that higher income inequality leads to the fact that people are more supportive regarding development aid.

The next macro variable that is added to the model is ODA. Its coefficient is with .11 quite high, but it fails to be significant. One needs to keep in mind that a one unit increase in ODA as percentage of GNI would be a huge increase as the overall range observed across countries is between .08 % and 1.13%.

Model 5 includes interaction terms for being rich or poor and inequality. Although the coefficients point into the expected direction, namely that high domestic inequalitydiminishes support for development among the poor, while it increase the rich's support, they lack statistical significance.

The last model includes micro and macro level predictors, year and country fixed effects. Hence, it implies a strict test of the income inequality effect as it merely tests the effect of inequality changes within countries over time which are mostly smaller than differences between countries. Due to parsimony, country fixed effects are not shown within the table. When controlling for country fixed effects, effects of income inequality diminish to zero.

Table 5. Mixed models with random country-year-intercepts year fixed effects, individual and contextual predictors

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Income	0.01***	0.01***	0.00***	0.01***	0.00*	0.00*
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Female	0.10***	0.10***	0.10***	0.10***	0.10***	0.10***
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Age	0.00**	0.00**	0.00**	0.00*	0.00	0.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

Education Reference: up to age 15						
16-19	0.03***	0.03***	0.04***	0.04***	0.04***	0.04***
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
20 years or older	0.18***	0.18***	0.18***	0.19***	0.19***	0.19***
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
still studying	0.26***	0.26***	0.26***	0.27***	0.27***	0.27***
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Left-Right	-0.04***	-0.04***	-0.04***	-0.04***	-0.04***	-0.04***
Placement	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Year of Reference: 1983						
1987	0.16*	0.18*	0.15*	0.14	0.14	0.12
	(0.08)	(0.08)	(0.07)	(0.08)	(0.08)	(0.06)
1991	0.28***	0.33***	0.26***	0.22**	0.22**	0.23**
	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)	(0.09)
1995	0.14	0.21*	0.12	0.08	0.09	0.10
	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)	(0.11)
1996	0.32***	0.39***	0.29***	0.27***	0.27***	0.27*
	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)	(0.12)
1998	0.16*	0.24**	0.12	0.10	0.10	0.11
	(0.09)	(0.08)	(0.08)	(0.09)	(0.09)	(0.14)
2002	0.50***	0.61***	0.45***	0.42***	0.42***	0.44**
	(0.08)	(0.10)	(0.10)	(0.10)	(0.10)	(0.17)
GDP		-0.01	0.00	0.00	0.00	0.00
		(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Gini			0.02***	0.02***	0.02***	0.00
			(0.00)	(0.01)	(0.01)	(0.01)
ODA				0.11	0.12	0.05
				(0.08)	(0.09)	(0.20)
Poor*Gini					-0.03	-0.03
					(0.04)	(0.04)
Rich*Gini					0.01	0.01
					(0.04)	(0.04)
Constant	2.91***	2.98***	2.35***	2.22***	2.22***	2.64***
	(0.06)	(0.07)	(0.17)	(0.20)	(0.20)	(0.23)
Log lik.	-70763.42	-70761.77	-70754.14	-67485.88	-66400.36	-66365.54
Chi2 Value	2483.92 (0.00)	2259.16 (0.00)	2039.47 (0.00)	1858.32 (0.00)	1853.97 (0.00)	819.52 (0.00)
Rho	0.06	0.05	0.05	0.05	0.05	0.02
N (N groups)	62184 (95)	62184 (95)	62184 (95)	59526 (91)	58672 (90)	58672 (90)

Standard errors in parentheses * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Conclusion

The analysis' aim was to explain variation in support for development aid by countries' income inequality level, prosperity and development aid generosity. Although there is variation between countries concerning approval of development aid, the analysis did not confirm the main focus of this article, namely that there is a negative relationship between income inequality and people's approval for development aid. Rather, the exact opposite was shown, namely that income inequality positively spurs people's support for development aid. Further, although lacking statistical significance, it was found that a country's level of Official Development Assistance was positively related to people's attitude. Yet, interaction terms of the lower and upper income quartile and Gini failed to be significant, indicating that income inequality does not spur the effects of income at the upper and lower tail of the income distribution on support for development aid.

It is a pivotal finding that ODA fails to be significant. Although no causal claim about the relationship between ODA and people's approval of development aid has been made, it was expected that a significantly positive association between those two variables would be found. The coefficients had the expected direction, but they were not significant which might be explained with reference to the fact that Gini and ODA are highly collinear. Prospective research might consider including an index instead, for example for general welfare generosity or government size.

The analysis shows that macro attributes do not seem to strongly spur people's stance. This is not consistent with earlier research findings: Paxton and Knack (2008) found that both wealth and actual development aid size shaped people's attitudes towards development aid. In contrast to the hypothesis developed in this article, it was shown that people living in countries that have a high level of ODA indicate lower support for increasing aid. However, their research design included neither country fixed effects nor longitudinal data.

It was found that support for development aid is shaped by socioeconomic characteristics like income and education. Both educational level and household income significantly increases the support for development aid, even though the impact of educational level ismuch stronger. Concerning demographic characteristics, it seems that the impact of age is marginal, while women perceive development aid as more pivotal than men. Further, political right self-placement is related to lower concern regarding development aid.

Yet, prospective research should consider whether country specific value orientations or norms can be the explanatory variable for between country differences in approval of development aid. It was not possible to explicitly test value orientations within this analysis. A fine-grained analysis is needed to measure and differentiate the effects of values like solidarity, altruism, philanthropy or egalitarian ideals. Furthermore, due to data set limitations, religious affiliation was not included in the analysis, but it has been found that it is one of the main impacts (Paxton & Knack 2008).

Other limitations of the analysis are reliability issues due to survey design. Although the Eurobarometer surveys are a very rich and reliable data source, it should be pointed to the fact that the

survey question setup changed between the analyzed time points: both question order and other topics addressed within the questionnaire varied, so wave variations might be partly owing to survey design.

The high values for support of development aid suggest that data validity is also constrained by socially desirable answering behavior. Nobody wants to confess that one considers development aid as something marginal if one is asked about. Yet, using data of the British Elections Study, Hudson and van Heerde-Hudson (2012) found that hardly any respondent mentioned global poverty as a main concern when asked as an open question. Aiming to measure approval of development aid in a relative way, Henson and Lindstrom (2012) found that two third of all respondents indicated that development aid should be rather decreased when respondents were asked about governmental priorities. On the other hand, it is doubtful whether this upward bias in answering behavior varies systematically between countries or other groups. In addition, respondents may wrongly confound development aid with humanitarian aid which is due to the vagueness of the survey question (see also Henson & Lindstrom 2012).

Further, it was not possible to explicitly test Noël and Thérien's argument that support for domestic redistribution negatively impairs support for international redistribution. Hence, disentangling the exact association between domestic inequality, redistribution and people's support for development aid remains a task for the future.

Within this data analysis, the concept support development aid was treated as a continuous variable. Yet, with solely four categories, it is strictly speaking an ordinal variable where ordinal logit models would be more adequate. Finally, it might be expedient to rerun the analysis with lagged structural variables in order to exclude country prosperity, official development assistance and income inequality as predictors.

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István György Tóth and Tamás Keller

February 2011

DP 6 Income Inequality and Participation: A Comparison of 24 European Countries + Appendix

Bram Lancee and Herman van de Werfhorst

January 2011

DP 5 Household Joblessness and Its Impact on Poverty and Deprivation in Europe

Marloes de Graaf-Zijl

January 2011

DP 4 Inequality Decompositions - A Reconciliation

Frank A. Cowell and Carlo V. Fiorio

December 2010

DP 3 A New Dataset of Educational Inequality

Elena Meschi and Francesco Scervini

December 2010

DP 2 Are European Social Safety Nets Tight Enough? Coverage and Adequacy of Minimum Income Schemes in 14 EU Countries

Francesco Figari, Manos Matsaganis and Holly Sutherland

June 2011

DP 1 Distributional Consequences of Labor Demand Adjustments to a Downturn. A Model-based Approach with Application to Germany 2008-09

Olivier Bargain, Herwig Immervoll, Andreas Peichl and Sebastian Siegloch

September 2010

Information on the GINI project

Aims

The core objective of GINI is to deliver important new answers to questions of great interest to European societies: What are the social, cultural and political impacts that increasing inequalities in income, wealth and education may have? For the answers, GINI combines an interdisciplinary analysis that draws on economics, sociology, political science and health studies, with improved methodologies, uniform measurement, wide country coverage, a clear policy dimension and broad dissemination.

Methodologically, GINI aims to:

- exploit differences between and within 29 countries in inequality levels and trends for understanding the impacts and teasing out implications for policy and institutions,
- elaborate on the effects of both individual distributional positions and aggregate inequalities, and
- allow for feedback from impacts to inequality in a two-way causality approach.

The project operates in a framework of policy-oriented debate and international comparisons across all EU countries (except Cyprus and Malta), the USA, Japan, Canada and Australia.

Inequality Impacts and Analysis

Social impacts of inequality include educational access and achievement, individual employment opportunities and labour market behaviour, household joblessness, living standards and deprivation, family and household formation/ breakdown, housing and intergenerational social mobility, individual health and life expectancy, and social cohesion versus polarisation. Underlying long-term trends, the economic cycle and the current financial and economic crisis will be incorporated. Politico-cultural impacts investigated are: Do increasing income/educational inequalities widen cultural and political 'distances', alienating people from politics, globalisation and European integration? Do they affect individuals' participation and general social trust? Is acceptance of inequality and policies of redistribution affected by inequality itself? What effects do political systems (coalitions/winner-takes-all) have? Finally, it focuses on costs and benefi ts of policies limiting income inequality and its effi ciency for mitigating other inequalities (health, housing, education and opportunity), and addresses the question what contributions policy making itself may have made to the growth of inequalities.

Support and Activities

The project receives EU research support to the amount of Euro 2.7 million. The work will result in four main reports and a fi nal report, some 70 discussion papers and 29 country reports. The start of the project is 1 February 2010 for a three-year period. Detailed information can be found on the website.

www.gini-research.org

GINI GROWING INEQUALITIES' IMPACTS

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SEVENTH FRAMEWORK PROGRAMME

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