

Economic experiences, target-specific beliefs and demands for redistribution

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Extended Abstract

Attitudes towards redistribution depend, among other factors, on beliefs about the role of effort and luck in determining income. Those who believe in the importance of luck and exogenous circumstances support more redistribution than those who believe in the importance of effort. Fong (2016) shows that beliefs and demands have a target-specific component. Beliefs about why the poor are poor are different from beliefs about why the rich are rich, and the former belief has stronger effects on demands for transfers to the poor while the latter has stronger effects on demands for taxation of the rich. We use questions that we proposed to the SOEP 2014 wave to examine beliefs about the determinants of incomes, and how these affect attitudes towards increasing taxes on those with high incomes and increasing transfers to those with low incomes.

We find a strong link between beliefs about the causes of low incomes and high incomes, and attitudes towards increasing transfers to those with low incomes and taxes on those with high incomes. Those believing more strongly in the primacy of effort demand less redistribution. Further, those with higher incomes attribute a larger role for own effort. Economic experiences also play a role. Those whose father was unemployed when they were 15 are more sensitive to the role that bad luck can play in economic hardships. Those who lived in East Germany in 1989 also attach more weight on external circumstances and favor more redistribution.

REFERENCES

Fong, Christina, 2016. Target-Specific Beliefs and Demands for Redistribution. Mimeo.