

Understanding Changes in Redistribution Preferences and Confidence in Government

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Background

- Demand redistribution theoretically extends from the median voter model
 - Meltzer Richard (1981): financiers vote against higher taxes that fund redistribution and beneficiaries vote in favor of
- Subsequent studies examined added complexities in determining preferences
 - Picketty (1995), Benabou and Ok (2001) POUM Hypothesis, Luttmer (2001), Keely and Tan (2008), Alesina and Giuliano (2010), among others
- More recently, the literature has explored how confidence in government impacts demand for government action in redistributing income
 - Kuziemko et al (2013), Brooks and Manza (2013), Alesina and Angeletos (2005)

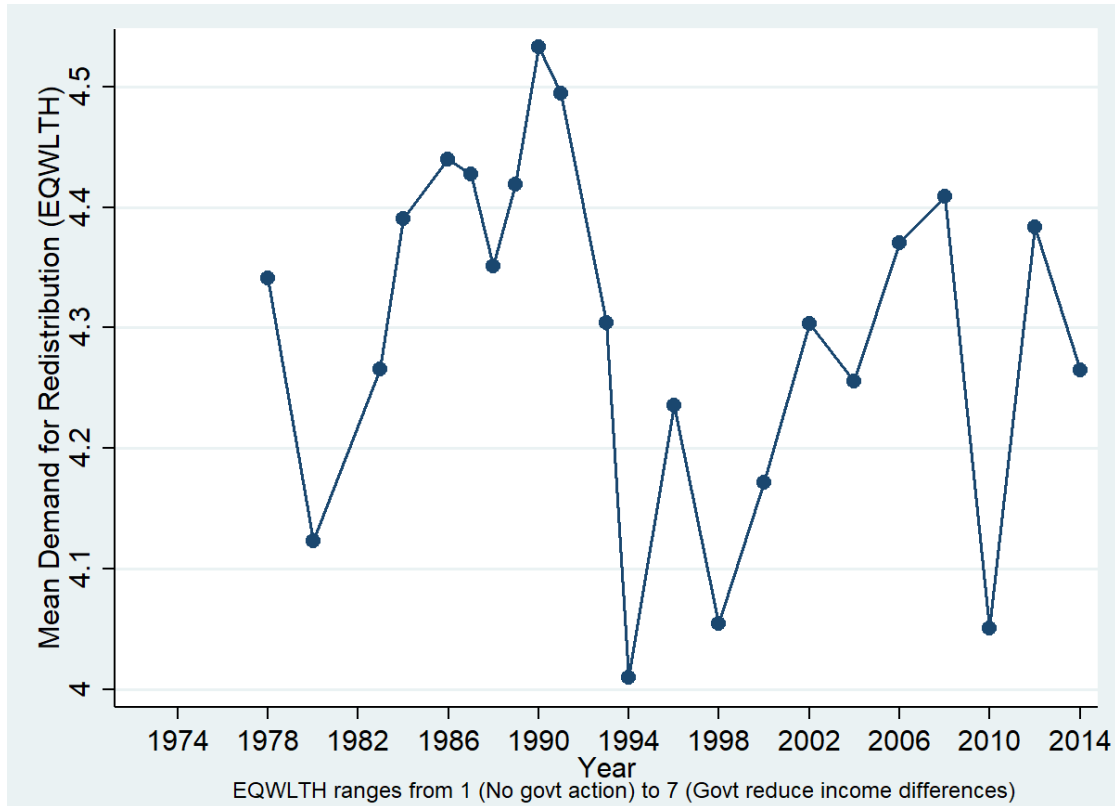


Executive Summary

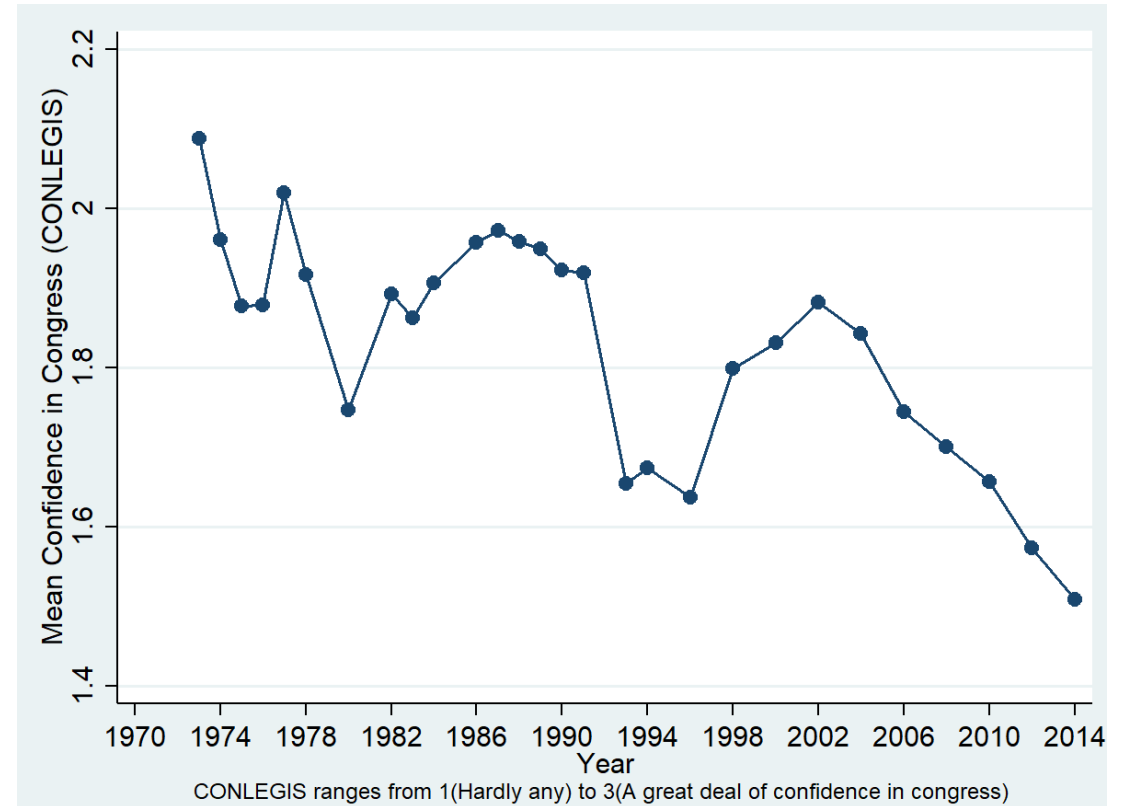
We contribute to the literature by

- Using the first four waves (2006-2016) of the General Social Survey dataset to establish identification using panel data
 - Address the endogeneity of time varying covariates arising from their correlation with unobserved time invariant individual heterogeneity.
- Systematically addressing the issue of possible heterogeneity in the redistribution preferences process using latent class models (LCM).
- Uncovering four distinct preference groups across all four waves which demonstrate significant impacts in confidence in government on demand for redistribution

Time Trends



Demand for Redistribution



Confidence in Government

Time-Series Regression Analysis (2012-2016)



Dependent: Demand for Redistribution	(1)	(2)	(3)
Confidence in Government	0.030	-0.067	-0.279***
	(0.081)	(0.067)	(0.079)
Age		0.007***	0.007***
		(0.002)	(0.002)
Republican		1.613***	-0.188
		(0.086)	(0.360)
Income (Log)		0.167***	0.165***
		(0.051)	(0.050)
Relative Financial Status		0.193***	0.205***
		(0.051)	(0.050)
Confidence in Government * Republican			0.728***
			(0.141)
Constant	3.618***	0.259	0.752
	(0.206)	(0.488)	(0.494)
<i>Controls</i>	<i>None</i>	<i>Mobility, Education, Marital Status, Unemployment</i>	<i>Mobility, Education, Marital Status, Unemployment</i>
<i>N</i>	4831	2274	2274

* p<0.1, ** p<0.05, *** p<0.01

standard errors are in parentheses



Methodology

To account for heterogeneity, we employ a latent class model probability structure to uncover relevant identity groups w.r.t. preferences

$$P(y_i = m | z_i^{cov}) = \sum_{x=1}^K P(x | z_i^{cov}) P(y_i = m | x)$$

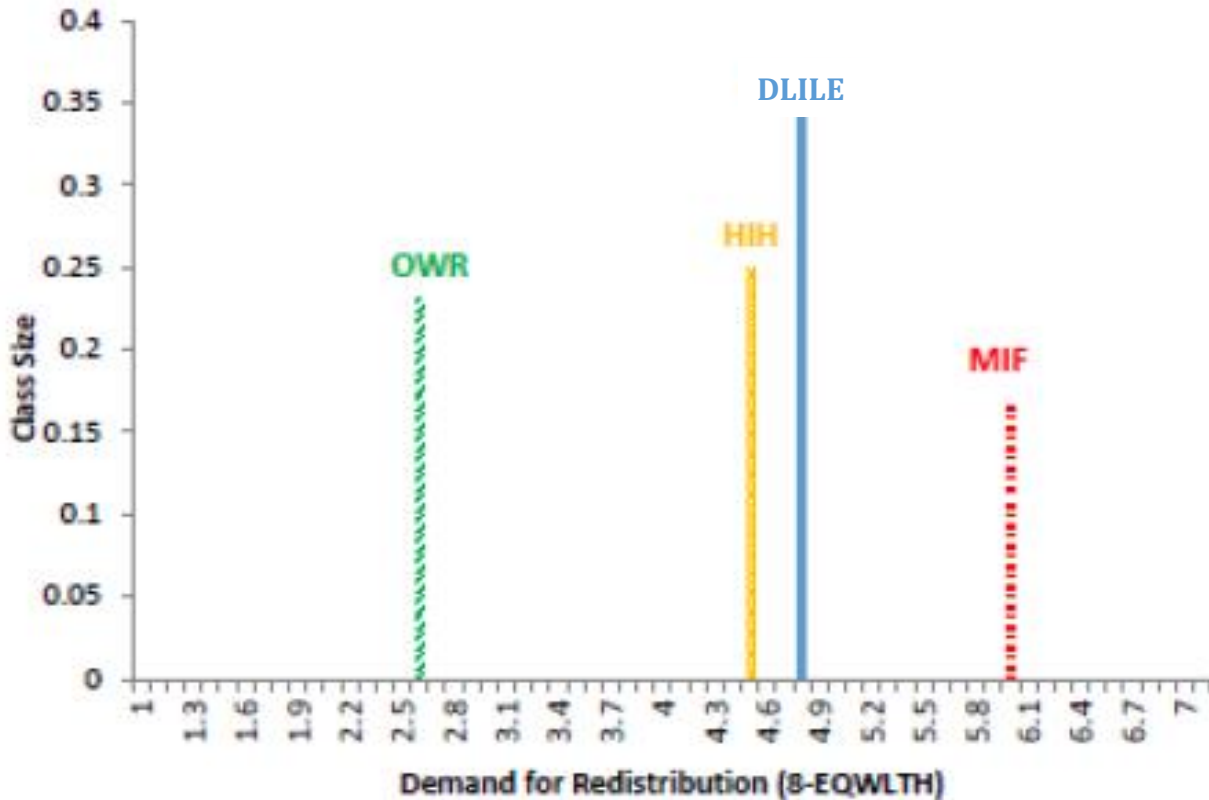
Information criterion minimizes at four clusters

1. **High Income High Education (HIHE)**
2. **Old(er) White Republicans (OWR)**
3. **Racially Diverse Low Income Low Education (DLILE)**
4. **Middle Income Female Democrats (MIFD)**

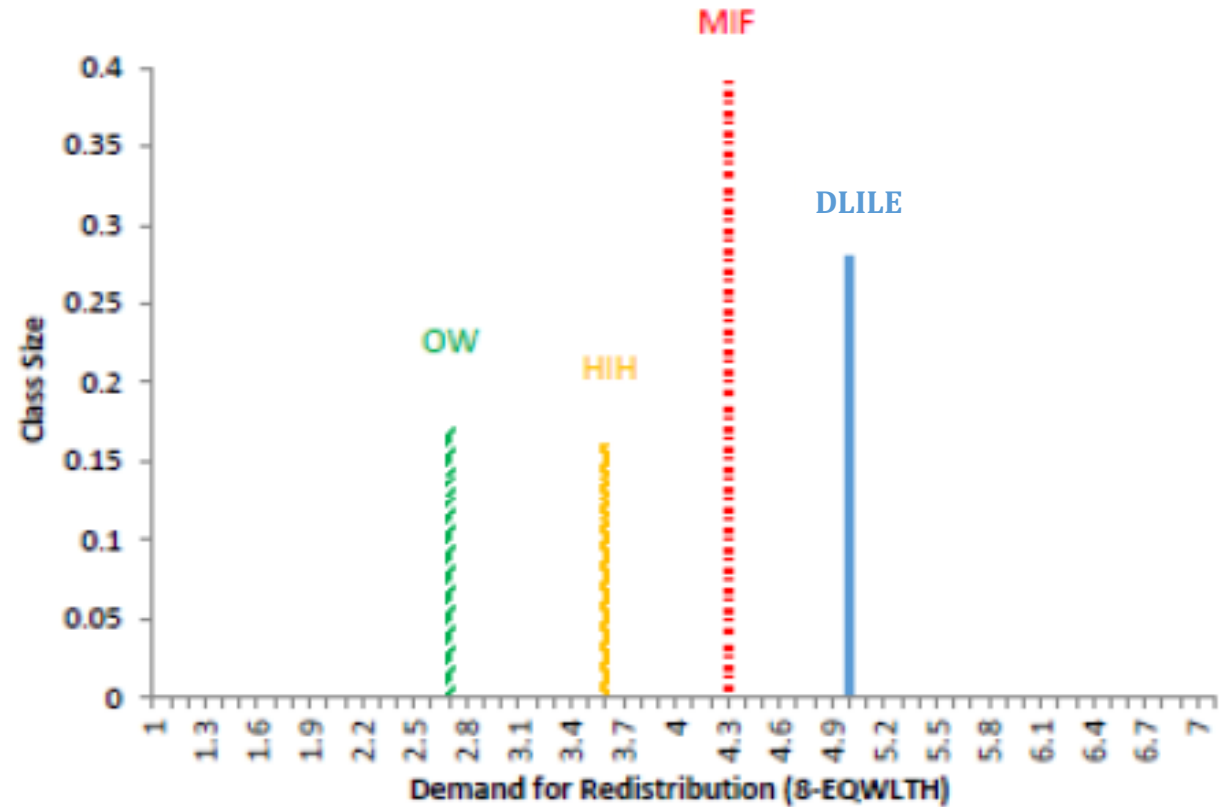


Clusters Demand for Redistribution

Redistribution Preferences 2006 (Panel 1, Wave 1)



Redistribution Preferences 2010 (Panel 3, Wave 1)





Time-Series Regression by Cluster

	DLILE	DLILE	HIHE	HIHE	OWR	OWR	MIFD	MIFD
Confidence in Government	-0.107	-0.108	0.313*	0.720***	0.354**	-0.060	-0.996***	0.103
	(0.178)	(0.287)	(0.182)	(0.205)	(0.161)	(0.133)	(0.261)	(0.147)
<i>Year</i>	<i>2006-2010</i>	<i>2010-2014</i>	<i>2006-2010</i>	<i>2010-2014</i>	<i>2006-2010</i>	<i>2010-2014</i>	<i>2006-2010</i>	<i>2010-2014</i>
<i>N</i>	<i>696</i>	<i>556</i>	<i>497</i>	<i>322</i>	<i>421</i>	<i>341</i>	<i>319</i>	<i>864</i>

Dependent: Demand for Redistribution

* p<0.1, ** p<0.05, *** p<0.01

Standard errors are in parentheses

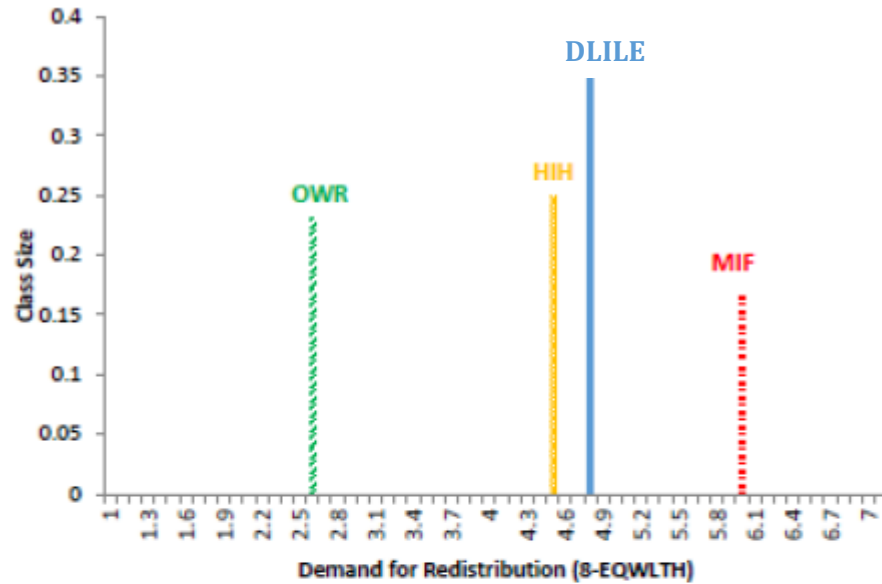
Controls included but not reported: mobility, child mobility, income, age, marital status, home ownership, unemployment, relative financial status, education, political affiliation



Conclusion

- There is evidence of heterogeneity in the relationship between changes in demand for redistribution and changes in confidence in government
- We uncover four distinct and stable identity groups over the four GSS Panel waves
- Lower government confidence leads to lower demand for redistribution
 - For the 2012-2016 sample
 - For specific identity groups in the panels prior (HIHE)

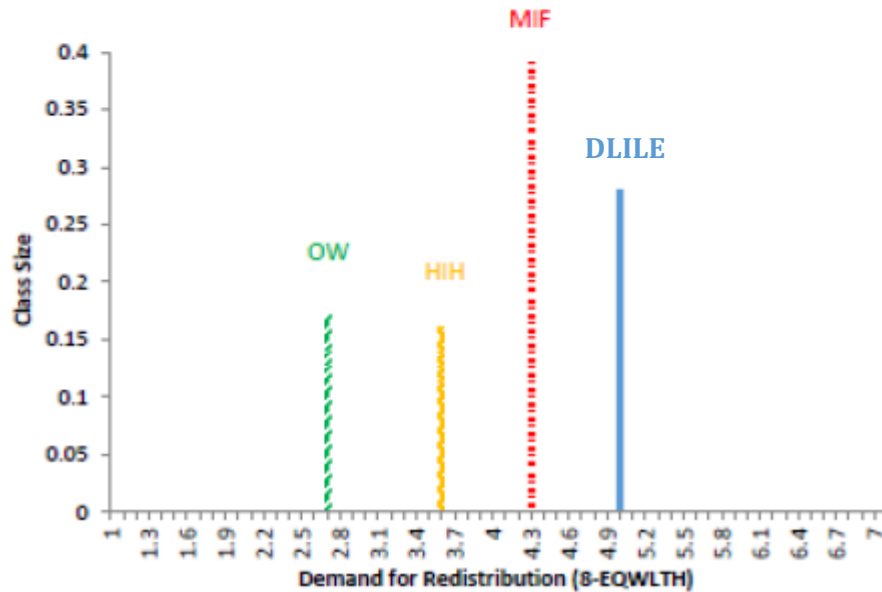
Redistribution Preferences 2006 (Panel 1, Wave 1)



Class Size	0.35	0.25	0.23	0.17
	DLILE			
	DLILE	HIHE	OWR	MIFDD
demand for redistribution	4.73	4.49	2.55	5.99
hardly any confidence	0.41	0.27	0.35	0.44
female	0.61	0.60	0.53	0.59
income	46462.76	69194.04	63281.68	62212.66
white	0.56	0.86	0.94	0.81
black	0.27	0.09	0.00	0.11
married	0.45	0.56	0.54	0.54
education	12.15	15.18	14.88	14.56
age	48.50	41.41	49.72	44.04
democrat	0.51	0.44	0.28	0.49
upward mobility	0.69	0.66	0.61	0.64
unemployed	0.47	0.58	0.51	0.56



Redistribution Preferences 2010 (Panel 3, Wave 1)



Class Size	0.39	0.28	0.17	0.16
	DLILE			
	MIFD	DLILE	OWR	HIHE
demand for redistribution	4.28	4.98	2.62	3.58
hardly any confidence	0.36	0.41	0.67	0.52
female	0.60	0.53	0.51	0.49
income	55374.07	47396.07	75768.85	73549.60
white	0.78	0.59	0.95	0.91
black	0.16	0.31	0.00	0.05
married	0.35	0.36	0.71	0.59
education	13.84	12.93	14.78	15.20
age	44.39	46.29	55.22	47.09
democrat	0.57	0.61	0.29	0.39
upward mobility	0.57	0.58	0.60	0.53
unemployed	0.49	0.47	0.47	0.51