Proposed title for the Module | Beliefs about the income-generating process and support for redistribution
---|---
Single or repeat measurement | Repeat measurement on multiple waves
Principal Applicant | Prof. Panu Poutvaara
Position | Professor of Economics; Director of the ifo Center for International Institutional Comparisons and Migration Research
Institution (including name of University School or Department) | University of Munich (LMU), Faculty of Economics and ifo Institute – Leibniz Institute for Economic Research at the University of Munich e. V.
Address for correspondence | ifo Institute, Poschingerstr. 5, 81679 Munich, Germany
Telephone: +498992241372 | Email: poutvaara@ifo.de

Relevance and rationale (max. 600 words)
In recent years, inequality has become a central theme in societal debate in Europe and the United States. General beliefs that luck rather than effort determines income (or mobility) are thought to be positively associated – through various causal mechanisms – with support for redistribution (Piketty 1995; Fong 2001; Corneo and Gruner 2002; Alesina and Angeletos 2005). Alesina, Glaeser and Sacerdote (2001) argue that higher level of redistribution in Europe goes together with higher emphasis of the role of luck in Europe than in the United States. An important restrictive assumption underlying this literature is that it explains support for redistribution with general beliefs about the role of effort and luck.

In our ongoing research, we use Gallup Social Audit for the United States and our own survey module that was included in the German Socio-Economic Panel's Innovation Sample (SOEP-IS) to study beliefs about the role of effort and circumstances beyond one’s control in explaining whether someone has low or high income in the United States and in Germany. We find that more than a third of Americans and Germans give different answers about the role of effort and circumstances beyond one’s control in explaining low incomes and high incomes. These target-specific beliefs coexist with big differences in attitudes towards supporting those with low incomes and taxing those with high incomes.

We show that target-specific beliefs concerning the causes of low incomes play a much bigger role in explaining preferences towards increasing transfers to those with low incomes than target-specific beliefs about causes of high incomes, while beliefs about causes of high incomes are more important in predicting preferences towards taxing those with high incomes. We find that a substantial fraction of respondents supports increasing taxes on those with high incomes but opposes increasing transfers to those with low incomes, or opposes increasing taxes on those with high incomes but supports increasing transfers to those with low incomes.
Based on these empirical findings, we have adjusted our theoretical framework to include the middle class. With taxes on the middle class providing an additional margin of adjustment, our model allows respondent to simultaneously support increasing taxes on those with high incomes but oppose increasing transfers to those with low incomes, or oppose increasing taxes on those with high incomes but support increasing transfers to those with low incomes. Unfortunately, neither Gallup Social Audit nor our own SOEP-IS module included questions about the middle class.

In the current proposal, we would extend our analysis to collect beliefs about the middle class, and preferences towards taxing the middle class. This allows a more demanding test of our theoretical framework. The questions we propose allow also analyzing the effects of family background and innate talent and abilities. This links our paper to ongoing political debate about inequality, by helping to understand what people in different countries perceive as causes of income inequalities, and how different perceptions are related to different views on just taxes and transfers.

Carrying out the survey in two different waves would also help us to analyze how stable beliefs about determinants of income and redistributive preferences are in each participating country, as well as to what extent changes in beliefs predict changes in redistributive preferences.

Suitability for the CRONOS-2 (max. 400 words)

We have formulated the questions in a way that they can be asked in the same way in all participating countries, once having been translated into the language in which the survey takes place. Our module extends the module that has already been successfully implemented in Germany, and which we have also analyzed together with corresponding four questions that were previously asked by Gallup in the United States.

Asking the same questions in all participating CRONOS-2 countries twice offers several important benefits. The first benefit is to study descriptively how much cross-country variation there is in beliefs about determinants of success and redistributive preferences, and in the level to which beliefs about determinants of success predict redistributive preferences in different countries. The second benefit arises from linking individual responses with other information collected in ESS. This will illuminate the extent to which redistributive preferences are in line with financial self-interest, whether this differs between countries, and what individual factors beyond self-interest predict beliefs and redistributive preferences. The third benefit arises from having access to panel data: asking identical questions in two different waves will illuminate how stable beliefs and redistributive preferences are in each participating country, as well as which individual factors predict changes in beliefs and redistributive preferences. The fourth benefit comes from combining survey data with information on any substantial changes that may take place between the two waves. While some potential shocks, like a new pandemic wave, a successful vaccine against COVID-19, or a global stock market crash or rally would affect all countries, some other factors are country-specific, including things such as eventual changes in the government or country-specific economic shocks.
In our first paper, we would focus on the first three benefits, the first two of which are there already after the first wave. We would also include the insights on the stability of beliefs and preferences already in the first planned paper, while the analysis of global and national events that could help to explain observed changes is left to a second paper. We would also explore to what extent the median voter model predicts prevailing redistributive policies in different countries. In this, ESS would be considerably more valuable than a more specialized survey. As illustrated in the draft survey questions, a panel of 20 questions (10 in each wave) is perfectly suitable to collect the data to answer all our questions.

Research team (max. 250 words)

The team has three members, covering two ESS countries. The principal applicant is Prof. Panu Poutvaara who is based at the University of Munich and ifo Institute in Germany. He has planned and carried out large surveys on migration and politics, resulting in publications in journals like the Journal of Public Economics and the Journal of Experimental Social Psychology, and published theoretical work in journals like the Journal of the European Economic Association. Senior Research Scientist Christina Fong is based at the Department of Social and Decision Sciences at Carnegie Mellon University. She pioneered research on the link between beliefs about the determinants of success and redistributive preferences with her 2001 article in the Journal of Public Economics, and has published additional research using her own surveys and experiments in PNAS, the Economic Journal, American Economic Journal: Applied Economics, Journal of Public Economics, and Management Science. Dr. Ilpo Kauppinen is Senior Researcher at VATT Institute for Economic Research in Finland. He specializes in empirical research and has published in the Economic Journal using full-population administrative data, and done also research using survey data.

The three applicants have already worked together on the module that they developed for the SOEP-IS. As for the division of work, Dr. Fong and Prof. Poutvaara would take the main responsibility for planning the analysis. Prof. Poutvaara would take the main responsibility for theoretical framework and Dr. Fong for the conceptual framework. Dr. Fong and Dr. Kauppinen would share the main responsibility for econometric analysis.

Feasibility of implementation (max. 800 words – excluding draft questions which can be in addition)

The questions that we propose extend the module that we developed and submitted to the German Socio-Economic Panel’s Innovation Sample and that was subsequently implemented. We developed the questions in English and as the questions have been tested and the survey was successfully implemented in German, we do not expect any problems in other languages either. We have already proposed the draft version of extended questions, presented in the appendix. If the module is accepted for inclusion, we would welcome any feedback on how to further improve the questions and would be able to do it quickly. Since we have extensive experience from running both surveys and experiments ourselves, we do not anticipate any methodological or practical difficulties in finalizing the module. Also, the fact that the CRONOS-2 data collection is organized with different timeframes for three different groups of countries does not pose any challenges for implementation or analysis. If anything, it could provide a useful
source of variation in case there is some common shock that takes place between the different surveys, like positive or negative development in terms of the Covid-19 pandemic or a global stock market rally or crash. — Our set-up is in no way contingent on such events, but if they take place we would be able to explore whether they have had sufficiently strong effects that they would show up in a difference-in-differences analysis.

We propose to include 10 short questions in wave 1 or 2 and the same 10 questions in wave 4 or 5. We would prefer wave 1 over wave 2 for maximum coverage, but also wave 2 would be fine. We do not have a strong preference between waves 4 and 5 and the wave could be chosen to maximize compatibility with other included questions.

We developed theoretical framework using the four questions in SOEP-IS in a manuscript that we have already presented in several conferences and workshops, including the American Economic Association’s annual meeting, an invited session at the European Economic Association’s annual meeting and the NBER Summer Institute’s Political Economy Workshop, as well as a seminar and invited keynote in Japan that have allowed us to test our theoretical framework also in a non-Western country. Taking into account comments from three continents has allowed us to further develop the theory, and the new questions that we propose to include in ESS would allow testing the extended theory in the participating European countries. Therefore, our module would both have theoretical micro-foundations and directly extend previous literature on target-specific beliefs and preferences.

As the questions we propose are worded taking as the starting position the country of interview (like whether taxes on those with high incomes should be increased, kept as they are or decreased in the country of interview), our survey automatically adjusts the scale so that it is suitable in each country. We have already applied this approach successfully when comparing the United States and Germany. We also speak or have colleagues who speak languages in almost all countries covered, and contacts through the CESifo network that allow us to recruit native speakers to test wordings in each language in which the module would be circulated.

We would carry out the survey as part of our normal working time. Therefore, the implementation of the analyses is in no way conditional on additional funding. Nonetheless, we are going to apply for additional funding that would allow us to carry out later survey experiments in selected countries to further deepen our understanding of relevant mechanisms. We would also apply for funding to hire a doctoral student to work on these extensions. Although we would submit the funding proposal already in early 2021 in case our module is accepted to be included into CRONOS-2, we would implement additional analyses only after the second wave of the CRONOS-2 questions, to be able to react to insights derived from it. To sum up, our aim is to leverage the current proposal, if selected for implementation, to start a research program that would permit deeper analysis of different mechanisms that link target-specific beliefs with redistributive preferences. Across Europe and hopefully in the United States and also in some non-Western countries to gain a global perspective.

Dissemination plans (max 250 words)

We have presented our ongoing work using SOEP-IS in leading conferences (an invited session in European Economic Association’s annual meeting; American Economic Association; NBER Summer Institute). If our module is implemented, we expect
to present new research based on it in highly selective conferences and workshops. We would also circulate the research through at least two of the four leading working paper series (CESifo and IZA), and through Carnegie Mellon University’s Center for Behavioral Decision Research, thereby guaranteeing its early circulation. We would publish our main paper with open access, subject to the journal in question allowing open access publication.

We would also leverage CESifo’s international networks. Kauppinen and Poutvaara have coauthored policy reports for EconPol Europe, a network of 14 policy-oriented university and non-university research institutes in 12 European countries, and presented in EconPol conferences. This facilitates reaching non-academic audiences. We are planning to circulate the first results within weeks from the data being provided to us and us being allowed to publish the results.

Our research has already received extensive media coverage. For example, the Economist has written three separate articles on research papers by Prof. Poutvaara, with further coverage by The New York Times, The Atlantic, Washington Post, The Wall Street Journal, as well as leading newspapers in Finland, Germany, Spain and Sweden. Dr. Fong’s research has been featured in dozens of media outlets, including The Wall Street Journal, The New York Times, Financial Times, LA Times, CNN, Forbes, USA Today, and NPR (National Public Radio).
APPENDIX: Proposed questions

We would like to include the following 10 questions in two different waves. The first wave would be 1 or 2 (preferably 1), and the second wave 4 or 5. COUNTRY refers to the country in which the survey takes place.

1) Would you like to increase taxes on high incomes in COUNTRY, leave them unchanged, or decrease them?
   (Response categories are: Increase taxes on high incomes; Keep taxes on high incomes unchanged; Decrease taxes on high incomes; Prefer not to answer/don’t know.)

2) Would you like to increase taxes on intermediate incomes in COUNTRY, leave them unchanged, or decrease them?
   (Response categories are: Increase taxes on intermediate incomes; Keep taxes on intermediate incomes unchanged; Decrease taxes on intermediate incomes; Prefer not to answer/don’t know.)

3) Would you like to increase financial help to those with low incomes in COUNTRY, keep the financial help unchanged, or decrease it?
   (Response categories are: Increase financial help to those with low incomes; Keep financial help to those with low incomes unchanged; Decrease financial help to those with low incomes; Prefer not to answer/don’t know.)

The following list includes several reasons why some people get ahead and succeed in life and others do not in COUNTRY. Using a one-to-five scale, where “1” means not at all important and “5” means extremely important, please tell me how important it is as a reason for a person’s success. You can choose any number from one to five.

4) How important is hard work and initiative?
5) How important is ability or talent that a person is born with?
6) How important is family background?
7) How important are other forms of luck and external circumstances?
8) Which of the following factors is in your opinion most often the reason why some people have high incomes in COUNTRY? If you think that more than one factor shares the status as being most important reason, please tick all relevant boxes.

- Hard work and initiative
- Ability or talent that a person is born with
- Family background
- Other forms of luck and external circumstances

9) Which of the following factors is in your opinion most often the reason why some people have intermediate incomes in COUNTRY? If you think that more than one factor shares the status as being most important reason, please tick all relevant boxes.

- Hard work and initiative
- Ability or talent that a person is born with
- Family background
- Other forms of luck and external circumstances

10) Which of the following factors is in your opinion most often the reason why some people have low incomes in COUNTRY? If you think that more than one factor shares the status as being most important reason, please tick all relevant boxes.

- Lack of hard work and initiative
- Low ability or talent that a person is born with
- Family background
- Other forms of bad luck and external circumstances
Curriculum Vitae
PANU POUTVAARA

Current positions:
Director of the ifo Center for International Institutional Comparisons and Migration Research, ifo Institute (since 2010)
Professor of Economics, esp. Comparative Institutional Economics, Department of Economics, University of Munich (since 2010)
Member of The Expert Council of German Foundations on Integration and Migration (since 2019)

Main previous positions:
Professor, Department of Economics, University of Helsinki (2005–2010)
Research Fellow, Centre for Economic and Business Research, Copenhagen (2002–2005)

Research network affiliations:
VATT Affiliated Researcher since 2017
CReAM Fellow since 2013
IZA Research Fellow since 2004

Academic degrees:
Ph.D., economics (VTT), University of Helsinki (2002)
Licentiate, economics (VTL), University of Helsinki (1999)
MA, economics (VTM), University of Helsinki, (1997)

Main areas of research:
Political Economics, Public Economics, Migration

Current editorial positions:
Member of the editorial board, European Journal of Political Economy (since 2018)
Member of the editorial board, Leadership Quarterly (since 2016)
Managing editor, CESifo Economic Studies (since 2010)

Selected publications (in total, more than 50 refereed articles):

**Selected awards and fellowships:**
- Myrdal Prize for the best article published in Ekonomisk Debatt (2010)
- Peggy and Richard Musgrave Prize at the IIPF Congress (2008)
- Visiting Fellow, Department of Economics, Harvard University, USA (1999–2000)

**Main research grants since 2010:**
- Language-Skill Investments and Migration Decisions (joint applicant), funded by DFG (German Research Foundation), ifo share EUR 65,760, 2018 – 2020.
- Optimal Immigration Policies in Europe: From Conflicting Interests to Mutual Gains (main applicant), funded by the Leibniz Association, EUR 740,000, 2012 – 2015.

**Main policy impact:**
- Proposal in three policy reports for the Chamber of Commerce and Industry for Munich and Upper Bavaria on how Germany should reform its system of work-based immigration from outside the EU. Central parts of the proposal were adopted in the new law.

**Selected policy reports:**
- World Bank, European Parliament, French Senate, Chamber of Commerce and Industry for Munich and Upper Bavaria

**Selected refereeing:**

**Selected Media coverage:**
Curriculum Vitae
CHRISTINA M. FONG

Current Position
Department of Social and Decision Sciences, Carnegie Mellon University (Senior Research Scientist since 2009, Research Scientist 2001-2009)

Affiliations
CESifo Senior Research Associate. January 2016-present.
CESifo Research Network Fellow. March 2016-present.

Education
Ph.D. Economics, University of Massachusetts, Amherst, September 2000.
B.A. Economics, University of Michigan, Ann Arbor, May 1990.

Research Interests
Public Economics, Political Economy, Experimental Economics

Selected Publications

Selected Working Papers and Policy Reports
Christina Fong and Panu Poutvaara, “Target Specific Beliefs and Preferences for Redistribution”.
Christina Fong, Ilpo Kauppinen, and Panu Poutvaara, “Belief Stability and Redistributive Politics”.
Christina Fong and Felix Oberholzer-Gee, “Audience Effects in Informed giving to the poor”.
Christina Fong “Subjective Mobility and Redistributive Politics.”
Selected Honors and Awards


Paper selected by the Future of Privacy Forum Advisory Board for publication in Privacy Papers for Policy Makers on the basis of the PLSC/IAPP Best Paper award: (joint with Alessandro Acquisti) “Will Johnny Facebook Get a Job? An Experiment in Hiring Discrimination via Online Social Networks.”


Airforce Outstanding Award for Research and Science. 1986.

Recent Invited Talks and Highly Selective Conference Presentations

- Invited Speaker. European Economic Association Meetings
- Invited Speaker. OECD Headquarters, Paris. The Changing Political Economy of Structural Reforms. Invited by Laurence Boone, Chief Economist and Special Counsellor to the Secretary-General, OECD, to speak on the topic, “Understanding the “demand side” of reform – How can new research on perceptions, attitudes and social norms be used to improve policy-making?”
- Invited Speaker, Samuel Bowles and Herbert Gintis Festschrift. Columbia University.
- NBER Summer Institute, Joint Workshop on Income Distribution and Macroeconomics and Political Economy.
- Seminar, Department of Economics, Maastricht University.
- Keynote, EHESS Workshop: Inequalities & Preferences for Redistribution. EHESS, Paris. (The other keynote speakers are Thomas Piketty and Alberto Alesina.)
- Seminar, Department of Economics, Luxembourg University.
- Public Lecture, European Investment Bank, Luxembourg.
- Seminar, Department of Economics, Uppsala University.
- Keynote, EHESS Workshop: Inequalities & Preferences for Redistribution, Kyoto, Japan.
- Invited Speaker, National Academy of Sciences DoD P&R Data Privacy Workshop. NAS, Washington, DC.
- Conference Presentation, American Economic Association Annual Meetings.
- Seminar, CESifo and Department of Economics, University of Munich.
- Invited Talk, UniCredit & Universities Foundation's Workshop on the Economics of Discrimination. Naples, Italy

Selected Refereeing


Selected Press Coverage


Curriculum Vitae
ILPO KAUPPINEN

Current Position

Vatt Institute for Economic Research (Senior Researcher since 2016, Researcher 2015-2016)

Previous Positions

Ifo Institute (Junior Economist and Doctoral Student 2011-2015)
University of Helsinki Department of Political and Economic Studies (Doctoral Student 2010-2011, Assistant 2008-2010)

Education

Doctor Oeconomiae Publicae (equiv. Ph.D. in Economics), Ludwig Maximilian University of Munich (LMU), November 2015

Master of Social Sciences, University of Helsinki, January 2008

Research Interests

Public Economics, Labor Economics

Journal Articles


Selected Working Papers and Policy Reports

Christina Fong, Ilpo Kauppinen, and Panu Poutvaara, “Belief Stability and Redistributive Politics”.


Ilpo Kauppinen, Panu Poutvaara, Preferences for Redistribution and International Migration, ifo Working Paper No. 283, 2018


External Research Funding

Personal Grants


Co-applicant in Research Projects with External Funding


Selected Presentations

- Word Bank workshop on International Migration in Europe and Central Asia, 2019
- EconPol Europe’s Annual Conference, 2018
- Helsinki GSE Public and Labor Seminar, 2018
- 13th International German Socio-Economic Panel User Conference, 2018
- CEMIR Junior Economist Workshop on Migration Research, 2016
- HECER Applied Microeconomics Seminar, 2016
- Regular Research Seminar, Johannes Kepler University Linz, 2013

Refereeing