

this group of literature on preference formation is largely based on the DEMAND side, whereas the literature on SUPPLY side - who to target (Dixit and Londregan blah)

how to link to distributive politics

Frontiers

Time horizons
Dynamics, updating, information processing
Risk and risky behavior (say, participating in a civil war)
How many levels of analysis are relevant?
The integration of political/social psych, behavioral econ, and political economy (see Shayo)

General Theories on Preference formation (Druckman and Lupia 2000, in Annual review of Political science)

Definition: Preference is comparative evaluation of a set of objects

The objects of preference: the aspects of environment that one evaluate relative to one another

How individuals evaluate (cognitive foundation of preference): Information -> shape belief -> comparative evaluation among alternatives. Change of preference is the change of information, which shapes beliefs, thus change the "rank" in individual's comparative evaluation

Models of preference formation and change

Framing is important due to the way people form their political preferences. Tversky and Kahnemann's experiment: people pick risk averse option when the outcome is described as gain. If described as loss, subjects will choose the risk seeking option.

External influences on political preferences: It is important WHO TELLS (Source effect) what (message effect) to whom (recipient effect).

Memory based models: people evaluate based on information that they retrieve from their memory

Exhaustive search: an individual exhaustively pull out ALL information, weight them in terms of their relevance, before he/she chooses. criticism: individuals have no incentive to perform this time consuming "calculation"

Accessible memory (Zaller): individual pull out most accessible information -> choose. for instance. After one read about a journal about economic policy, he or she votes. Then he/she cares most about economic policy of the candidate.

On-line model

An individual has a "counter" in his mind. Every time he/she is exposed to information about certain political issues (candidate), he will add the information to the "counter" and then forget about the information per se. So people know how much they like some policies or politicians, but not necessarily know why.

Alesina and Guiliano: individual going through misfortune -> more risk averse -> demand more redistribution

Individual history

Other explanation of preference over social policies (Alesina and Guiliano 2009)

Culture

Indoctrination by the regime

Alesina & Alberto (2005) "Good Bye Lenin": Empirics: Germany. People from Eastern Germany (especially the older ones who had more experience with the Communist regime), after controlling for income level, prefer more state intervention in economy than those in the Western Germany.

Family. Parents' teaching, structure of the family

Preference Formation (esp. on Social welfare)

Social welfare as redistribution (Models summarized in Alesina & Guiliano's 2009 NBER paper "Preference formation")

Potential criticism

Pablo our boss (Beramendi and Rehm). These two simple models both use linear tax rate (i.e. not progressive)

Progressivity determines who gains and who lose in redistribution

More progressive tax -> more polarized preference on redistribution

The median voter, in both models, determine the final tax rate. But this should not be true all the time. It depends on the electoral system etc.

Quite OBSOLETE: no empirical support (Alesina, Guiliano 2009)

Basic Model (myopic, self-interested) Melzer & Richard based on Romer

Individuals care about two periods. If they expect that they would increase income in the future, they will support redistribution less (compare to what they do in the basic model).

Empirics: Alesina and Guiliano 2009, result in US General Social Survey. Belief about future income growth -> less support on redistribution

Empirics: Margalit 2013. Personal experience has stable, yet transient effect on support on social policy. The effect is larger among the Republican than among the Democrats

Perspective of Upward Mobility (POUM)

FOR: Externality of education: redistribute through education increases productivity, thus increase the profitability of the rich. Thus increase support for redistribution

FOR: Crime and property right -> rich feel threat on property rights -> increase support redistribution. To make this work: cost of increasing security should exceed cost of redistribution.

Empirics: Rueda and Stegmueller (2006). In industrialized democracy, the rich, instead of the poor, is relevant in the level of redistribution a country choose. High inequality -> the rich choose higher redistribution, BECAUSE they care about the externality -> crime.

Inequality indirectly in the utility function

Reasons FOR or AGAINST redistributions (all because they affect individual consumption)

AGAINST: Incentive effect: inequality create incentives for people to extract effort in their work. Thus people care about the incentive effect of inequality should support LESS redistribution

Picketty (1995): A model. More redistribution -> less effort to work. Individuals' preference on redistribution is shaped by their perception of redistribution's effect on effort, not poser of social group

Inequality directly in the utility function

Individuals weigh between their "self-interest" concerns (e.g. consumption, and indirect effect of inequality through consumption), and "ideology" concerns. They have individual ideal level of inequality. This ideal points differ among one another.

Alesina and Guiliano (2009): US General Social Survey shows: race, religion both affect preference on redistribution. For instance, Protestant favors redistribution less than atheist and catholic and jewish do

Model: Poor individuals identify with "group" or "nation"

Model Equilibrium (Social Identity Equilibrium): The tax rate a poor individual demand is lower if he/she identify with the nation than if he/she identify with the class ("the poor")

Concl: increased income inequality does not necessarily leads to demand for more redistribution

Critics: where is the rich in this story?

Empirics: Across democracies, there is a negative correlation between the level of national identification and level of redistribution

Concerned about fairness

Individuals recognizes that individuals' income consists of two parts: "effort" and "luck". Thus, they think inequality also consists of two parts: "effort" (you are poor because you don't make effort) and "luck" (you are poor because you are at bad luck)

The model is a variant of the above. Ideal level of inequality is decomposed into two parts. The tolerated "effort" inequality is always higher than that of the "luck" inequality.

Barber, Beramendi & Wibbels (2013) Lab experiment + survey. Finding LIMITED SUPPORT for the "insurance" argument.

Social welfare as insurance

Moene and Wallerstein (2001). Social welfare are insurance, which is normal goods. Increased inequality -> decrease of the income of median voter -> decreased demand for redistribution

Empirics: 18 OECD countries, result: one standard deviation increase in inequality -> 0.8% decrease of insurance spending against income loss (e.g. disability, illness, etc.)