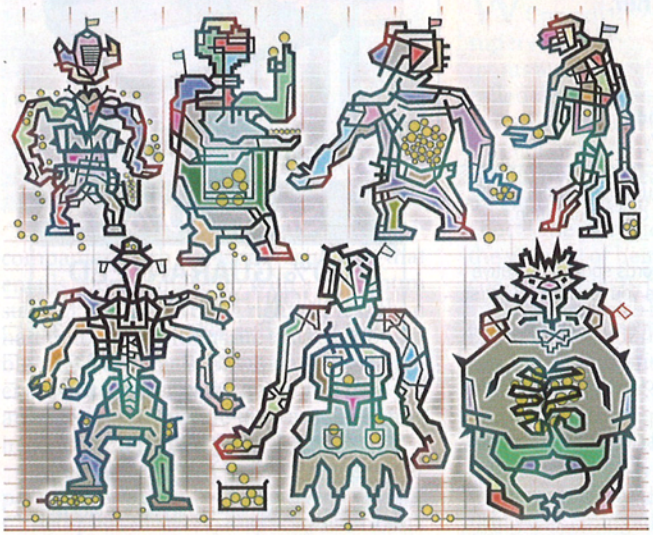
Economics focus | In the blood

Attitudes towards redistribution have a strong cultural component



ARGUMENTS over economic policy are often heated. Debates about the extent to which tax and welfare policy should redistribute wealth from rich to poor tend to be particularly fractious. Understanding why people hold different opinions on the topic interests economists, not least because citizens' attitudes towards such matters are likely to influence the governments they elect. Some of the evidence from individual countries conforms to standard economic reasoning. Richer people, who have least to gain from redistribution, are usually less keen on it than their poorer compatriots. So are those who think they have a chance of being rich in the future, by moving up the economic ladder.

But opinions about redistribution also seem to vary from one country to another. And this has led economists to ask whether "culture" or "values" independently influence those opinions. Survey data about the political and economic attitudes of people in different countries show that the average American is far less favourably disposed towards redistribution than the typical European. Barack Obama got an unsolicited reminder of this on the campaign trail in 2008, when an off-the-cuff remark about the need to "spread the wealth around" provoked some shrill retorts. Such views, said Mr Obama's detractors, went against the grain of American values.

There is tremendous variation within Europe, too. People in former communist countries tend to favour more redistribution than those who live in Britain or the Netherlands. Is there something about Polish culture, say, which makes a person more favourably disposed towards redistribution than someone of similar income and education who happens to be British?

Apart from being little-charted terrain for economics, questions like this are also difficult to answer because culture, institutions, policies, economic outcomes and people's attitudes are all hopelessly intertwined. How, for example, can you separate the effects of a country's culture from those of its welfare system, which is both a part and product of that culture? Erzo Luttmer and Monica Singhal of Harvard University argue in a new paper* that studying the attitudes of immigrants offers a possible way around this problem.

Immigrants have typically had their formative experiences in a country with different institutions, benefit systems and attitudes from those of their adopted home. If culture matters, then their attitudes should be different from those of native citizens in similar economic circumstances and closer to those that prevail in their country of origin. Mr Luttmer and Ms Singhal analyse data from the European Social Survey, a biennial multi-country exercise, on the attitudes of over 6,000 immigrants who have moved from one of 32 countries in the survey to another and they find precisely this result.

Even after controlling for income, education and other relevant economic and social factors such as work history and age, views about redistribution in an immigrant's home country are a strong predictor of his own opinions. Indeed, this measure of "cultural background" explains as much as income levels, and three-fifths as much as income and education combined. These results hold even for immigrants who moved 20 years before they were surveyed; they cannot be attributed to people not having had time to adjust their views.

But what if immigrants are self-selecting, choosing to migrate to places where policies are to their liking? This may be true, but it would make the sort of effect that Mr Luttmer and Ms Singhal uncover less, not more, likely. They find, after all, that someone who grew up in a pro-redistribution society is significantly more in favour of redistribution than the natives of the country where he now lives. Selective emigration would imply the opposite, since people would presumably desert places where their attitudes were not the norm in favour of countries where their preferences were more typical.

People may also migrate because they know something about their own future prospects. For example, those who expect to be rich could emigrate from high-taxation places to places where there is less redistribution. It is impossible to control for such differences, since they are not observable. But such migration would also make it less likely that immigrants' preferences matched those of the country they left behind rather than those of the country they came to live in.

Bred to redistribute

Even more convincing evidence of the impact of culture comes from second-generation immigrants. The opinions of children born in the host country about the desirability of redistribution are strongly influenced by the norms that prevail in the countries their parents came from. That denotes some transmission of values and attitudes between generations. But the effect of culture is only about two-thirds as large as it is for foreign-born immigrants. Although durable, it apparently fades with time.

Perhaps economists should not be too surprised by the persistent effects of culture on attitudes to economic policy. Ms Singhal attributes her initial interest in these questions to realising, during her graduate studies, that even Harvard economists with similar education, incomes and interests had views about the economic role of the state that seemed to vary by nationality. But the implications are potentially striking. Immigrants from pro-redistribution places, and their children too, are much more likely to vote for political parties that champion greater redistribution of wealth. That leads the authors to ask whether, over time, the composition of immigration into a country could end up having a meaningful impact on its tax policies. ■

* "Culture, Context, and the Taste for Redistribution" by Erzo Luttmer and Monica Singhal, May 2009: ksghome.harvard.edu/~msingha/CultureRedistribution.pdf