

# Who Wants to Level the Field: Political Institutions, the Market, and Redistribution\*

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## Abstract

Do institutions shape the preferences of individuals over the welfare state? Most studies of preferences for the welfare state have focused on individual level predictors of support in wealthy, democratic OECD countries. While useful, this research agenda has not explored how country level institutional context shapes individual preferences. I build on recent advances in the literature on autocracy to show how autocratic institutions have strong implications for demand for the welfare state. A key problem for autocrats is establishing a credible commitment to not expropriate those outside the ruling clique or party. By implication, most individuals face uncertain returns on investments, whether in business or developing skills for the labor market. Building on work that relates support for the welfare state to incentives for highly skilled workers to insure against income volatility and unemployment, I argue that individuals whose skills and business investments should generate high returns under democracy are uncertain about returns under autocracy. To insure against volatility, they are much more likely to favor a publicly financed safety net than similar individuals in a democracy. To test this hypothesis, I employ a 2006 survey of 28,000 individuals in 28 countries, the Life in Transition Survey. Results support my hypotheses levels of democracy condition the effect of skill and proxies for executive constraint and rule of law largely drive results. This work has important implications for our understanding of preferences under autocracy and welfare state formation and reform.

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# 1 Introduction

Do institutions shape the preferences of individuals over the welfare state? Unfortunately, institutions have for the most part received little attention in the literature on the micro-foundations of support for the welfare state and state-led redistribution. Nearly everything we know about the determinants of individuals preferences for redistribution and social policy come from studies of the well-institutionalized OECD (Alesina and Guiliano , 2009, Mares , 2003, ?) or democratic subsamples of developing countries (Berens , 2012, Wegner and Pellicer , 2011, ?).<sup>1</sup> One of the key findings of this body of work has been the linkage between individuals' expectations about their returns in the open market and their support for social policies – the more successful individuals believe that they will be on the market, the less they tend to support redistribution. This narrow focus on democratic settings is somewhat puzzling in light of work on the political economy of institutions, however. Institutions, both political and governance-oriented, have a profound effect on macro-economic outcomes, due to the ways in which they shape the expectations of individual actors about their returns on the market (North , 1990, North and Weingast , 1989, North et al. , 2009). If institutions do indeed shape individuals' perceptions of their competitiveness on the market, then by implication they must also have profound implications for individuals' perceptions of social policy and redistributive structures.

This democracy bias in the literature on the micro-foundations of state-led redistribution has also posed problems for work on the political economy of autocracy, promoting work based on contradictory micro-foundations. On the one hand, recent work on the political economy of autocracy has shown that social benefits are an important component of the co-optation strategies used by politicians looking to retain office in a number of less well-institutionalized settings (Blaydes , 2010, Gandhi , 2008, Marques et al. , 2013, ?, ?). Implicit in such work is the assumption that the populace as a whole wants redistribution and that autocrats and wealthy elites are more the happy to provide it to ensure social peace. On the other hand, several game theoretic models operate on opposite micro-foundations. Building off the seminal work of Meltzer and Richards (1981), Acemoglu and Robinson (2006) and Boix (2003)s prominent model of democratiza-

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<sup>1</sup>Although for important exceptions, see Alesina and La Ferrara (2004), Berens (2012), Ravallion and Loshkin (2000)

tion assumes that autocracy persists due to fear by the wealthy of the redistributive consequences of democratization. Even where elites are willing to make concessions, autocrats have difficulty making credible commitments to their populations, rendering offers or redistribution untrustworthy. Consequently, redistribution should be difficult in autocracies and should never proceed with the support of wealthy individuals outside of the regime.

This paper seeks to help to provide the micro-foundational link between institutional quality, on the one hand, and individuals' preferences for the welfare state, on the other. In particular, I focus on individuals with individual traits, market-oriented skills or a willingness to become an entrepreneur, that should predict good returns for them in open markets. I sketch a simple model of actors' expectations about return on their skill endowments under good and bad governance institutions. Following recent work on the links between institutional quality and economic reform, I argue that good governance institutions are compliments to actors' skill endowments, allowing them to reap higher and more certain return on their skill endowments than where governance is poor. Consequently, I argue that while individuals with high endowments of skill tend to be less supportive of social policy than others (Alesina , 2005, Cusack et al. , 2006), this relationship loosens as institutional conditions deteriorate. Since there are fewer checks and balances on opportunistic policy reversal in these settings, returns are likely to be more volatile and social policy more attractive as a safety net. I test my model using a survey of 29,000 individuals in 29 post-communist countries conducted by the European Bank for Reconstruction and Development. Although institutions and individual preferences are endogenous, the survey sample helps to mitigate some of these risks by drawing from countries who spent considerable time under Communist welfare state systems and who all underwent transitions to market economies at roughly the same time. I find that there is little evidence that individuals with high levels of skill differ substantially from the base population in autocratic settings, but that as the quality of governance institutions increases, the preferences of these individuals begin to diverge from that of the general population. Supporting the notion that high quality governance institutions compliment market skills, under high quality governance institutions individuals with high skill endowments are less likely to support social policy and state-led redistribution.

This paper makes several important contributions. First, by highlighting the ways in which

institutions condition expectations about the usefulness of social policy, this paper helps to bridge the divide between the new institutional economics, on the one hand, and existing accounts of the welfare state. Unifying these two literatures has important implications for studies of the development, maintenance, and reform of welfare states, because the results of this study imply that the micro-foundations of support for social policy are very different in poor institutional settings. In particular, it strengthens support for risk based explanations of welfare state development Mares (2005), although it also implies the need to look beyond traditional, sector-based, theories of risk. Second, this paper also makes a contribution by providing further evidence on the importance and viability of redistributive strategies in autocratic regimes. Contrary to the perspective advanced by Acemoglu and Robinson (2006) and Boix (2003), individuals with skill endowments normally associated with wealth support redistribution from the rich to the poor. This finding casts doubt on the premise that the Meltzer and Richards (1981) model extends to autocratic settings and that autocrats are unable to make credible commitments to redistribute in order to maintain social peace. In turn, these findings strengthen the recent body of work that has emerged to show how autocrats use transfers and redistribution to shore up social support.

In the next section, I sketch my theory of governance institutions and preferences for social policy. Section 3 presents the data sources and methodology. Section 4 presents the empirical results of this study and robustness checks. Section 5 concludes.

## **2 Institutions and Demand for Redistribution**

Modern accounts of preferences for and the formation of the welfare state tend to focus on individual's perceived utility from the welfare state as they determinant of whether or not they support it. In one set of accounts, welfare states serve to redistribute economic gains from the holders of capital to labor, thus mostly benefiting the working and middle classes (Huber and Stephens , 2001). In other accounts, the welfare states' primary value comes from cushioning income shocks to actors in risk-prone or internationally exposed occupations or sectors (Garrett and Mitchell , 2001, Iversen , 2005, ?). In all cases, individuals who do not expect to benefit from the welfare state – whether due to wealth, social mobility, the sorts of high-demand market skills that insure employment – are

unlikely to express preferences in favor of redistribution or social policy (Alesina , 2005, Alesina et al. , 2001, Cusack et al. , 2006). In all of these cases, individuals either expect that their endowments will give them competitive advantages in the labor market, minimizing the likelihood of needing to participate in welfare state institutions, and/or that their relative advantages will grant them large incomes, forcing them to pay for social policy. With these baseline insights in mind, we now consider how institutions can alter these preferences.

## **2.1 Market-Institutional Complementarities: Expected Returns and Preferences**

The literature on economic reform has long considered how institutions shape the expectations of actors. One view is that good institutions, especially governance institutions, serve as constraints on politicians that allow actors to freely invest in the market, secure that their returns will reflect market factors rather than political manipulation Acemoglu and Robinson (2006), ?. Certainly, work on the relationship between institutions and growth strongly conducted at the macro-level strongly implies that good institutions promote economic growth and engender trust by investors, lending support to the argument (c.f. Acemoglu et al. (2001), Engerman and Sokolof (2008), La Porta et al. (1999)). To see how complementarity applies at the micro-level, recall that the baseline findings of the literature on preferences for redistribution and the welfare state was mostly derived from studies of democracies in the OECD with good governance institutions. Consider an ideal type democratic settings. Entry into politics is mostly free, so there are many concurrently competing for power. At the same time politicians can be removed relatively easily from office through regular, competitive mechanisms if they do not fulfill the expectations of the voters (Schumpeter , 1943, ?). The consequences of both of these features imply that politicians in democratic settings are constrained in the extent to which they can opportunistically manipulate markets and policies to their advantage. Politicians who do not fulfill their promises or who cause damaging volatility can be swiftly removed from office at the hands of angry voters Adsera et al. (2003), Boix (2001), ?. This, in turn, allows politicians to establish credible commitments that policies made today are

likely to remain in force tomorrow.<sup>2</sup>

The ability of politicians to credibly commit to economic policy has a few implications for our well-endowed, high skilled individuals and their preferences for redistribution. First, these individuals, knowing that politicians are constrained by institutions of good governance and democracy, can participate in the market to the fullest extent. Gains and losses are more likely to come from the vagaries of capitalism and economic forces than from policy decisions made by politicians. Secondly, to the extent that these individuals feel secure about market participation and skill investment, they are less likely to support the welfare state. This is because individuals with skills that make them competitive in free market settings are more likely to be generating strong incomes and therefore paying for social policy benefits that they either cannot use or for which there are stronger private options available.

By contrast, in an ideal-type authoritarian setting, politicians do not face voters in elections and often have an extensive coercive apparatus that allows them to prevent spontaneous revolutions. As a consequence, populations in these types of regimes have great difficulty holding politicians accountable. The emancipation of autocrats from the threat of replacement at the hands of the population allows autocrats to engage in strategies designed to maximize their own personal utility, regardless of the effect this has on the populace as a whole (Olson , 1993, 2000, ?). In such settings, opportunistic policy reversals, excessive taxes, corruption, and other forms of rent seeking are not only tempting to autocrats, but have relatively little direct effect on the ability of the autocrat to stay in power (Denisova et al. , 2009, North , 1990, North and Weingast , 1989). Moreover, without good governance institutions, the probability of such behaviors trickling down to the level of other government officials, themselves also immune to the threat of the ballot box in autocracies, is high.

For individuals with strong market skills, the inability to discipline politicians have serious implications for seriously degrade expectations about the extent to which individuals' endowments will generate strong market returns. Without the ability to constrain politicians, individuals with competitive advantages in the market have to worry about becoming attractive targets for exces-

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<sup>2</sup>Although this discussion treats policy reversal as difficult in democracies, it is important to point out that a large body of work illustrates that democracies can also be prone to policy reversals if there is a large degree of polarization between the major parties (c.f. Spiller and Mariano (2003), Stasavage (2003)). Despite this empirical evidence indicates that autocratic regimes are more prone to reversals than all but the most heavily polarized democracies (Frye , 2010).

sive taxation, petty corruption, or simple policy swings that happen to benefit the autocrat, all of which diminish their expected returns. Where governance is poor, the general risk to highly skilled workers no longer depends on the degree of exposure of their sector to international competition or unemployment risk, as in /citetMares05 or ?, but becomes a general worry for everyone involved in the market. Consequently, redistributive institutions and welfare structures may begin to look appealing, since even the most well-endowed individuals may find themselves in need of such facilities through no fault of their own.

While this discussion is mostly motivated by consideration of a central autocrat, it can apply more generally to lower levels of government where governance institutions are not strong. In particular where governance institutions are weak, lower level bureaucrats tend to have a higher degree of effective autonomy from central control and are insulated from popular displeasure. Such officials can take advantage of the relative lack of oversight in order to engage in corruption or other opportunistic malfeasance to benefit themselves (Beazer , 2012). Thus, even where institutions are nominally democratic, if government is poor, highly skilled individuals may still expect that poor governance will depress their market returns.

Given the difficulty that autocrats have in committing to policy, however, why would social policy be sufficiently credible that individuals, especially high-skill individuals, would be willing to support it? First, following Olson's stationary bandit logic, although autocrats face few external constraints on policy reversal, they nonetheless may wish to promote some degree of economic efficiency in order to capture larger rents in the future. Policies that foster useful skill investments and labor market outcomes can increase economic efficiency and the overall size of authoritarian rents. Certainly, cross-national studies of welfare state benefits seem to imply that aside from systematic differences based on economics and historical path dependency, there are few differences between autocratic and democratic welfare states (Muligan et al. , 2004, Mulligan et al. , 2002, Wibbels and Ahlquist , 2008). Secondly, there is a great deal of evidence that even where autocrats have no desire to provide social policy for economic reasons, they nonetheless tend to rely on them in order to establish support. This phenomenon is especially likely in autocracies with large non-tax revenue sources and those where hegemonic dominant parties require outsize support to maintain their ruling coalitions (c.f. (Blaydes , 2010, Gandhi and Przeworski , 2006, Gandhi ,

2008, Marques et al. , 2013, ?). Sudden withdrawal of benefits, or failure to pay on time, serves as a clear, easily read signal that the regime is not living up to its commitment and can provoke massive social unrest (?).<sup>3</sup>

Pulling together this discussion, one should observe, *ceteris paribus*, that the possession of skill endowments correlated with high returns are poor predictors of support for redistribution where there are weak governance institutions. This is because a) we assume that preferences for redistribution diminish as actual or expected returns increase and b) the returns on investments and the anticipated effect of a strong skill endowment are muted by the increased risks in areas with poor governance institutions. Put another way, complementarity predicts that the market skill enhancing properties of good institutions increase returns and decrease the attractiveness or state-led redistribution. This leads us to predict:

*H<sub>1</sub>: The magnitude of the effect of possessing marketable skills on support for redistribution should be lower where institutional quality is good.*

Which should hold against the null hypothesis:

*H<sub>0</sub>: The magnitude of the effect of possessing marketable skills on support for redistribution is invariant to institutional quality*

### **3 Data Sources and Methodology**

To test the theory presented above, I make use of the Life in Transition Survey (LiTS) of 29,000 respondents conducted by the European Bank for Reconstruction and Development across 29 transition countries in 2006. Households were randomly selected for the survey in a two stage process beginning by splitting the country into 50 primary sampling units before selecting households from within each unit. Within households, the nominal head of household was asked questions about wellbeing, assets, and economic satisfaction. Afterwards, a randomly selected household member

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<sup>3</sup>Russia is a good example of the dangers of attempting to reverse social policy. Attempts to move social benefits from an in kind to monetary footing, widely expected to diminish the actual value of social benefits, resulted in some of the largest cross-regional protests of the post-communist era (media cite).



over the age of 18 was then asked to give responses. In the analysis below, I treat the respondent who answered questions at the second stage as the unit of analysis.<sup>4</sup>

In order to measure attitudes towards state-led redistribution, I make use of the following question from LiTS 2006:

Do you think the state should be involved in the following- Reducing the gap between the rich and the poor.

- 1) Not Involved
- 2) Moderately Involved
- 3) Strongly Involved

The advantage of this survey question is that it clearly evokes the role of the state in redistribution, forcing respondents to consider institutional issues in their response regardless of their a priori feelings about redistribution. Despite this advantage, it is important to note at the outset that there are some limitations to this particular dependent variable. First, it should be noted that it does not capture tradeoffs between an increasing role of government in narrowing the inequality gap and the increasing costs of such programs to the respondent. As ? point out, respondents might feel differently about redistribution if they believe they are likely to bear the tax burden to fund it. Questions that directly evoke trade-offs or taxation policy are therefore generally preferable. Because my theory predicts that variation in preferences for redistribution follow from subjects expectations about how redistribution net costs influences returns on investment in various institutional settings, however, I argue that the omission of cost considerations is less problematic. If anything it should flatten variation and bias results against finding support for my theory.

Second, because the question bundles attitudes towards redistribution and the state together, it is difficult to know whether respondents are more concerned about the effects of redistribution or of having the state administer it. This is particularly true of those who favor moderate levels of

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<sup>4</sup>For more information on the methodology of the survey, including information on PSU selection, selection of respondents from selected households, and interviewing techniques, *see* EBRD (2007), Synovate (2006). LiTS 2006 covers Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Former Yugoslav Republic of Macedonia, Georgia, Hungary, Kazakhstan, Kyrgyz Republic, Latvia, Lithuania, Moldova, Montenegro, Mongolia, Poland, Romania, Russia, Serbia, Slovak Republic, Slovenia, Tajikistan, Turkey, Ukraine, Uzbekistan.

redistribution, as they could support a strong state role in redistribution but have qualms about redistribution in general or vice-versa. While this should not bias the results in a systematic manner, it muddles interpretations to some extent and may risk conflating the effects of expectations about the state with preferences for redistribution. Nevertheless, in the robustness section I discuss ways of controlling for individuals' general attitudes towards markets, in general, and redistribution, specifically, in order to more closely address this issue.

Finally, the lack of specificity in the question as to how redistribution will occur and who receives it means that respondents could have very different programs in mind when formulating answers to the question. Those who have invested heavily in skills, for example, might think of redistribution in terms of unemployment benefits or other forms of insurance designed to protect them from unemployment (Iversen , 2005, Iversen and Soskice , 2001). Poor respondents, on the other hand, may be thinking of means tested benefits. As a consequence, results based on this instrument may mask a great deal of heterogeneity in actual attitudes towards redistribution. Unfortunately, there is no principled way to separate out these effects, although, as I discuss below, I do attempt to account for welfare state generosity in my main regressions.

Figure 1 summarizes responses across countries. Looking at the sample as a whole, it is interesting that the overwhelming majority of respondents- 68.72%- believe in strong state involvement in redistribution, whereas 26.67% believe in moderate state involvement and only 4.61% of respondents believe the state should not redistribute at all. Interestingly, there does not appear to be a large difference in responses across regime type. Belarus, tied for the second lowest level of democracy in the sample according to Polity IV, and the Czech Republic, which receives the highest possible democracy score, represent the lowest levels of support for a strong state role in redistribution 41% and 39% respectively. The strongest levels of support for a strong state role in redistribution come from ambiguously democratic states Azerbaijan with 87.4% support and Armenia with 89.7%. While evidence that there may not be a direct effect of institutions on preferences for redistribution, Figure 1 tells us little about the main relationship of interest – the degree of cleavage between the preferences of high and low skill workers in varying institutional settings.

### 3.1 Measuring Skills

Finding a measure for skill endowment is tricky in any survey sample involving post-communist transition economies. Traditional measures of skill such as education do not necessarily correlate with the acquisition of useful skills, since education and experience acquired under communist regimes is of questionable significance in market economies (Guriev and Zhuravskaya (2009)). In order to test whether the attitudes of individuals with market-oriented skills vary across regime types, I follow Denisova et al. (2009) and adopt two proxy measures. The first is a dummy variable indicating whether the respondent has currently works as a high-level manager or as a top-level professional.<sup>5</sup> Because of the significant training and experience required for those in this group, they are especially likely to be rewarded for their skills in pure market economies, where there is little artificial wage compression limiting their returns. I refer to such individuals as professionals in the subsequent analysis.

I also create a second dummy variable indicating whether the respondent is self-employed or owns a business. Although self-employment and entrepreneurialism are not themselves necessarily indicators of competitive advantages on the market, I argue that this measure is an appropriate proxy for market skills, because individuals who start their own businesses or freelance should have some expectation of competitive advantage vis-a-vis joining a pre-existing concern. More broadly, the willingness of such individuals to take calculated risks based on opportunities and their own skill endowment is itself a skill rewarded by markets. This is even more true in post-communist countries, where the failure of central planning and the collapse of state-owned firms during the transition created many opportunities for the entrepreneurial to exercise skills for which there was no demand under the plan Earle and Zuzana (2000). All told 8.2% of LiTS respondents reported that they were entrepreneurs or self employed and another 10.75% report that they are professionals.<sup>6</sup>

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<sup>5</sup>The corresponding categories in the Standard Occupational Classification 2000 would be groups 1 and 2. Specific occupations included in this group are legislators, senior government officials, enterprise managers, director/chief executives, business owners, physicists, engineers, mathematicians, architects, computing professionals, medical doctors, dentists, pharmacists, teachers, lawyers, accountants, authors, professionals, religious or similar professions

<sup>6</sup>The technical appendix of LiTS notes some issues with the coding relating to the difficulty that many respondents had in assigning themselves to proper occupations categories. Amongst poorly educated respondents, this might introduce some interviewer bias. I attempt to correct for this somewhat by including education in my regression specification. Other researchers using this data have noted that occupational categories tend to conform well to other surveys where occupational categories are assigned post-facto from verbal descriptions of respondents' occupation

### 3.2 Measuring Institutions and Dealing with Endogeneity

In order to measure the effect of institutions, I use three aggregate values of three popular indices – Polity IV, Freedom House Nations in Transit, and Voice measure from Kaufman (2006). Although these indices are extremely highly correlated (see Table AI), each of these indices captures slightly different nuances of good governance. Polity IV, for example gives countries a score based on openness and competitiveness of executive recruitment, level of constraints on the executive, and competitiveness of political competition. Freedom House instead emphasizes civil liberties and political rights, taking a broader approach Freedom House (2012). Finally, the Voice and Accountability index focuses on the ability of citizen to select their leaders, as well as freedom of expression, association, and media Kaufman et al. (2006). Given disagreement over which of the measures is most useful and the desire to ensure robust results, I use all of them.<sup>7</sup>

As noted above in the section on theory, there are several different pathways by which institutions can influence the expectations of individuals over their expected returns in the market. Although the theory is unclear, I take advantage of the ability to disaggregate the two of the three major indices above in order to attempt to test different pathways by which institutions can shape expectations about the returns on market skills and, through them, preferences for redistribution. In particular, I disaggregate the Polity IV index into the Xconst and Polcomp subcomponents, which allow me to test whether constraints on the executive from other parts of the government (legislatures, ruling parties, etc.) or political competition (e.g. the threat of being held accountable to voters) are driving results. To check whether good governance institutions more broadly shape expectations, I also disaggregate the Kaufman et al. measure into several of its sub-components. First, I examine the quality and independence of the civil service, the quality of policy formulation, and the degree to which the government can commit to such policies using the Government Effectiveness index. Second, I examine the quality of contract enforcement, police, and courts using the Rule of Law measure. Finally, I measure the extent to which public servants, both at low and high levels, are perceived to exercise their power for private gain using the Control of Corruption

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(Denisova et al. , 2009).

<sup>7</sup>For thorough discussions of the usefulness of these measures, see Munck and Verkuilen (2002), Trier and Jackman (2008)

measure.<sup>8</sup>

The analysis of sub-components carries a number of limitations. First, as I discuss in more detail below, due to the small number of countries it is difficult to include large numbers of country level variables in the model. Attempting to include multiple measures in the regression and induce a “horse race” to see which lose significance, aside from being atheoretical, would put severe constraints on the estimation strategy. Second, the high degree of correlation between the various measures and indices complicates the ability to separate out the effects of each cleanly. Significance could be due more to the collinearity than to the validity of specific mechanisms. Nonetheless, as a first cut attempt to understand the mechanisms behind preferences for redistribution in varying institutional climates, this exercise should at least help whittle down the number of possible mechanisms.

It is important to point out that there is a strong potential for endogeneity between preferences for redistribution and institutions.<sup>9</sup> First, if Acemoglu and Robinson (2006) and Boix (2003) are correct that democratization is a function of the degree to which elites fear the redistributive effects of democracy, then regime type today might actually have been the result of long-standing preferences for redistribution amongst the population in the past. If preferences for redistribution are slow-moving or sticky, then there is a strong potential for reverse causality, even if one uses measures of democracy taken before the survey. Secondly, it could also be the case that preferences for redistribution and institutional quality are co-determined by other, omitted economic and political variables.

These problems are less of an issue for the question at hand, because the fundamental theory this paper advances is that good institutions drive a deeper wedge between the preferences of professionals and entrepreneurs, on the one hand, and the rest of the populace as a whole, on the other. As a consequence, the focus is not on the potentially endogenous direct effect of the institutional variables, but instead on the measure of professionals and entrepreneurs conditional on the institutional environment.<sup>10</sup> In this paper, my main specifications estimate a differences-in-differences effect between professionals and entrepreneurs, on the one hand, and the populace

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<sup>8</sup>See Kaufman et al. (2006) for a more detailed description.

<sup>9</sup>This section draws heavily from the discussion of endogeneity found in Denisova et al. (2009).

<sup>10</sup>the specifics of the estimation strategy is discussed below.

at large, on the other. This strategy should be robust to endogeneity, so long as the sources of endogeneity affect both types of responses (professionals/entrepreneurs and general members of the populace) in the same ways within units, the interaction term itself should not suffer from endogeneity problems. As I discuss below, I also insure against omitted variable bias somewhat by using unique features of my modeling strategy to control for unmodeled country invariant features that influence the variables of interest.

### 3.3 Modeling Strategy

So far, the theoretical discussion above has assumed that individual level characteristics in this study's post-communist sample, not controlling for institutions, behave similarly their counterparts studied in the developed world and Latin America. To show that the relationships between the individual level characteristics of interest do not differ largely from expectations in the literature on preferences for redistribution, I begin by estimating a simple ordered logit model with the latent form:

$$Y_{ic} = \alpha + \beta_1 * professional_i + \beta_2 * entrepreneur_i + \rho X_i + \delta_c F_c + \epsilon_{(ic)} \quad (1)$$

Where  $X$  is a vector of individual-level control variables for individual  $i$  discussed below, and  $F$  is a vector of country specific fixed effects for each country  $c$ . For individual control, I take into account a wide range of factors commonly noted in the literature on determinants of attitudes towards redistribution, including age, gender, education, where the respondent is located (rural, urban, or metropolitan), household size, wealth, unemployment status, retirement status, individuals perceptions of their own health, and minority status. Unfortunately, LiTS includes no traditional measure of ideological bias, such as party affiliation. In order to control for the possibility that individuals are ideologically biased, therefore include a measure of the respondents' opinion on the fairness of reprivatization. Previous work has argued both that reprivatization is a critical component of economic reform (?), and also used opinions towards it as a gauge for pro-market sentiments (c.f. Berinsky and Tucker (2006), Denisova et al. (2009)). To the extent that attitudes towards reprivatization reflect pro- or anti-market bias, we can be more confident that

results do not simply reflect bias against redistribution in general, rather than towards the state's role in it specifically. Table A1 provides more details on how each of the independent variables was measured and Table A2 provides summary statistics.

Unfortunately, simple logit models of the type above are inadequate for estimating the effects of an interaction between a country level variable and the characteristic of an individual within that country. In order to estimate the main relationship of interest in this paper – between market skills, institutional environment, and preferences for redistribution – I make use of a Multi-level Hierarchical (MLH) logit model. Such models, have advantages over rival estimation techniques for examining the interaction between micro and macro level variables, because they allow for the direct estimation of the direct effects of the macro-level variables of interest and their interactions, while also allowing some defense against omitted variables in the form of fixed and random effects. These specifications also allow for the introduction of other macro-level variables of interest. Finally, an MLH approach makes fewer assumptions about the correlation of the error terms across macro-level units (Gelman and Hill (2007), ?).<sup>11</sup> My specification takes the form:

$$\begin{aligned}
 Y_{ic} = & \alpha_0 + \gamma_1 institutions_c + \gamma_2 Z_c + \beta_1 professional_i + \beta_2 entrepreneur_i + \\
 & \beta_3 professional_i * institutions_c + \beta_4 entrepreneur_i * institutions_c + \quad (2) \\
 & \rho X_i + \xi(1c)professional + \xi(2c)entrepreneur + \eta_c + \epsilon_i
 \end{aligned}$$

Where  $Z$  is a vector of country level control variables for country  $c$ . The parameters  $\xi_c$ ,  $\eta_c$ , and  $\epsilon_i$  represent random slopes on the two variables of interest needed to properly examine the interaction between micro and macro level variables in MLH models, country specific varying intercepts, and the individual level error term, respectively. Following Gelman and Hill (2007) this equation can be thought of and interpreted much as a standard regression, albeit with six predictors and three error terms.<sup>12</sup>

Unfortunately, the small number of countries in the sample preclude including a large number

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<sup>11</sup>For an interesting discussion and simulation results illustrating the superiority of MLH models to traditional analytical techniques in survey settings where macro-level variation is of interest, see Leoni (2009)

<sup>12</sup>For more on the logic behind the formulation of the model, see Gelman and Hill (2007)

of macro-level controls. Nonetheless, in my main specifications I control for two key factors, GDP and the percentage of government expenditure to GDP. Although there are no comparable measures of expenditures on social policy across the sub-sample of countries in the LiTS dataset, both of these variables help to alleviate concerns about variation in relative wealth (and thus ability of states to afford social protection) and welfare state generosity.<sup>13</sup>

## 4 Results

### 4.1 Benchmark Results

Table 1 presents the results of the benchmark model for individual level results, pooled across countries. For the most part expectations conform to the priors generated by previous studies of individual level preferences for redistribution. Not taking into account institutional level variables, much of the variation in preferences can be explained in ways similar to those in OECD countries. Model 1.1 shows that, as elsewhere, individuals are less supportive of state involvement in redistribution as their income and education levels increase. In addition, as respondents perceive themselves to be in worse health, they tend to favor state-led redistribution more. Of primary interest to this paper, both professionals and entrepreneurs were also significantly less likely to support a state role in redistribution both substantively and statistically. Professionals and entrepreneurs are 4.4% and 3.3% less likely to support a strong state role in redistribution, respectively. The only real surprise in the results is that being a minority is not a significant predictor of attitudes towards redistribution, as it has been shown to be elsewhere (Alesina , 2005, Alesina and Guiliano , 2009).

Models 1.2 through 1.4 attempt to demonstrate that professionals and the self-employed oppose state-led redistribution even after controlling for ideology. Model 1.2 introduces the extent to which the respondent supports revisions of privatization, which is significant but does not radically alter the statistical or substantive significance of either the professional or entrepreneurial variables. Model 1.3 repeats the exercise with a direct measure of general attitudes towards re-

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<sup>13</sup>In unreported regressions, I rerun my specifications omitting one or both of these variables. Results remain largely the same. In the section on robustness, I also discuss further robustness checks carried out using different macro-level variables below.



distribution. I do not use this variable in my main specification, because it captures a lot of the same attitudes as the dependent variable, leading to endogeneity concerns. Nonetheless, it is a useful check. Preferences for redistribution are positive and significant, as expected, indicating that respondents who generally favor redistribution were more likely to also favor a strong role for the state in it. Controlling for attitudes towards redistribution in general, professionals are still more likely to oppose the role of the state in redistribution, although the substantive and statistical significance of the entrepreneur variable diminishes somewhat. Model 1.4 rounds out the various means of controlling for ideology by asking respondents whether they favor planned or market economies. As expected, preferences for planned economies grow, respondents are more likely to favor a strong role for the state in redistribution. Controlling for these attitudes has no effect on the substantive variables of interest, however.

Finally, Model 1.5 controls for the hardships that individuals may have faced in transition. Of the various hardships that may have been suffered, only the sum of years in which the respondent reported lower food consumption was a positive and significant predictor of attitudes towards the state's role in redistribution. Other measures failed to reach significance at conventional levels. In unreported specifications, I also checked whether professionals and entrepreneurs' attitudes changed if they suffered hardships during the transition period. Entrepreneurs and professionals who suffered food cuts were more likely to support state-led redistribution than their peers, an important point to remember as we move to tests of macro-level determinants of preferences for a state role in redistribution.<sup>14</sup>

## 4.2 Multilevel Models

Ordered logit models of the type deployed above pose a number of computational and interpretational problems in a multilevel framework due to their extraordinarily complex variance-covariance structures and the limits of present computational techniques. Fortunately, ordered logit models can be rewritten as a series of  $J$  different regressions between the various combinations of response categories. This procedure places no stronger assumptions on the data than the ordered logit approach above and should produce similar inferences so long as an ordered logit approach is also

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<sup>14</sup>Results available upon request.

appropriate (Long , 1997).

I focus my analysis in this section on the comparison between those who favor a moderate or no state role, on the one hand, and those who support a strong state role, on the other, since this comparison is theoretically more relevant than the comparison between those who support no state role and the other categories. I justify this decision by arguing that those who favor a moderate state role may do so either because they a) favor redistribution less or b) do not trust the state to actually provide redistribution rather than expropriating funds. The same holds, albeit in a more extreme form, for those who favor no state role in redistribution. Consequently, the differences between these two categories are less theoretically interesting for the purposes of the present analysis than the comparison between these categories and those who either trust the state to carry out redistribution or support redistribution so much they ignore expropriation risks (i.e. those who support a strong state role in redistribution).<sup>15</sup>

Table 2 introduces the main analysis, adding the Voice and Authority variables to the baseline individual-level model (Model 1.1) above. Individual level results are omitted for space considerations, with the exception of the main individual level variables of interest – professionals and entrepreneurs. Results for these variables remain the same and are available upon request. Macro-level variables in this and the remaining specifications have been centered on their mean values.<sup>16</sup> A quick glance at Table 2 indicates that for the most part the direct effects of the macro-level variables are not significant predictors of attitudes towards state-led redistribution among individuals. This is a bit surprising, but may be explained by a combination of endogeneity between the direct effects (for the most part) and attitudes towards redistribution, as well as by the inclusion of varying country level intercepts and slopes.

With respect to the core proposition of this paper – that institutional environments induce deeper cleavages between high and low skilled individuals where institutional quality is good than

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<sup>15</sup>In unreported results, I examined the results of the binomial regression between those who support no state role and those who support strong or moderate roles. The results were similar to those presented here, although a series of Brant tests provided some evidence that the parallel regression assumption does not hold for this dependent variable, in which case an ordered probit analysis would be more appropriate (Long , 1997). Nonetheless, the small number of respondents who favor no state role in redistribution (4.9%), and the problems this poses for inferences about it, casts some doubt on the validity of this conclusion.

<sup>16</sup>Standardizing individual variables to the grand mean (the mean value of the entire sample) gives the results the interpretation of how unit increases in macro-level variables influences the probability that an individual with characteristics equal to the sample mean will prefer a strong state role in redistribution (Gelman and Hill , 2007).

when it is poor – the evidence seems to be relatively strong. As expected, Models 2.1 - 2.4 indicate that the interaction between the Voice and Authority index, its sub-components, and the two measures for skill are negative and significant, as are the two measures of skill themselves. This implies that as the institutional climate improves, both groups are more likely to oppose state-led redistribution than when institutions are poor. Interestingly, this result holds for both measures of the ability of individuals to participate in politics (e.g. the Voice and Authority index itself) and other indicators of good governance institutions that focus on enforcement (Rule of Law Index), corruption (Control of Corruption Index), and the degree to which government can commit to its policies (Government Effectiveness Index). Although these measures are extremely highly correlated, the fact that all of them are significant implies that more than one aspect of institutional quality is at play in forming highly skilled individuals' expectations. Models 2.5 - 2.7 introduce measures for the percentage of resource rents in GDP, the percentage of firms that do not report sales, and government expenditure as a percentage of GDP, respectively. These variables are not significant themselves and do not change the results on our main variables of interest at all.

Table 3 addresses another aspect of how institutions influence preferences for state-led redistribution by using the Freedom House measure to focus a bit more narrowly on political competition and civil liberties. As before the Freedom House measure itself is not significant, although government expenditures as a percentage of GDP are significant in the expected negative direction. With respect to the main variables of interest, the interaction between the freedom house measure and the measures of skill are negative and significant, as expected. The only unexpected finding is that the individual level effect of entrepreneurs is not significant in this specification. Examination of the random intercepts for the entrepreneur variable in this specification indicates that there is a lot of variation across countries and that this variation is, for the most part, significantly bounded away from zero. Consequently, it is difficult to know what to make of this result (Note to readers: suggestions would be most helpful here).

Finally, Table 4 uses the Polity IV index to attempt to get at a final facet of institutions – the degree to which executives are constrained and politics are competitive. The interactions of interest in models 4.1 - 4.3 are negative, as expected, but not statistically significant at conventional levels. While it is important not to overstate the results, read in light of the significance of the Freedom

House and Polity IV measures, this would provide some support for the notion that constraints on the top level executive (xconst) and the formal competitiveness of elections (polcomp) are not driving the results. Instead, it would seem that other aspects of good governance, such as effective control over corruption, rule of law, civil liberties, and the ability of governments to commit to effective policy are more critical to individual policy formation. Such results should not be too surprising. Corruption and lack of constraints at the highest levels of government do not necessarily trickle down to the actual experiences of citizens, although they often do (Treisman , 2007). As individuals are more likely worried about local bureaucrats than the presidential administration, measures that get at how institutions constrain more general governmental malfeasance in poorly institutionalized settings are likely to have more explanatory power.

Although the examination of regression results presented above provides some evidence for the complementarity approach advanced in this paper, it does not give a good sense of how changes in the significant variables of interest level of democracy and entrepreneurial or professional status substantively affect the probability that individuals will favor redistribution. This is particularly problematic because the complementarity perspective advanced here not only claims that the interaction between entrepreneurial/professional status and democracy will be significant, but that one should observe a growing, substantively significant divergence in preferences between these groups and their non-professional/non-entrepreneurial counterparts. In order to better illustrate that these substantive predictions hold, I take advantage of the relative ease of simulation afforded by multilevel models. Using a model similar to model 3.1, I simulate the difference in probability of supporting a strong state role in redistribution between entrepreneurs and professionals, on the one hand, and the rest of the population, on the other, as democracy increases all other variables being held to their median values.<sup>17</sup> Figure 2 graphically illustrates the Freedom House scores of countries in the sample in order to aid in mapping the simulated results to observed levels of democracy in particular countries.

Figure 3 illustrates the first differences in the probability of supporting redistribution between professionals and their non-professional counterparts as Freedom House scores increase. Notice that at the lowest levels of democratization (the level of Uzbekistan) there is no discernible differ-

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<sup>17</sup>A similar exercise with the Voice and Authority index yields similar results.

ence between the preferences of professionals and non-professionals, but that each unit increase in Freedom House score produces larger variation between the preferences of professionals and non-professionals. These differences remain statistically insignificant until a country scores approximately 3 on the Freedom House scale, at which point the upper bound of the 95% confidence interval dips below zero. Substantively, this implies that at the level of democracy of Ukraine, the salutary effects of democracy on expected returns of professionals fall into place and we begin seeing differences in their attitudes towards redistribution vis--vis other members of the populace. Moreover, this effect is quite strong. At the highest level of democracy recorded in the sample, that of Slovenia, professionals are almost 6% less likely to favor a strong state role in redistribution than their non-professional counterparts.

Figure 4 is similar to Figure 3, except that examines first differences between entrepreneurs and non-entrepreneurs. The effect is even more striking. Even at the lowest levels entrepreneurs have different attitudes towards redistribution than their non-entrepreneurial counterparts, although the 95

Taken as a whole, therefore Figures 3 and 4, along with the results of the broader multi-level analyses conducted in this section provide strong evidence that the complementarity approach is a useful way of characterizing how institutions shape the preferences of entrepreneurs and professionals. The robustness checks conducted in this section do not, however, provide evidence that institutions condition support for a strong state role in redistribution differently among the wealthy or highly skilled public sector elites.

### **4.3 Robustness checks**

The results and analysis above have some deficiencies that complicate inference which I attempted to resolve with additional testing.<sup>18</sup> First, the results reported above could be the result of a simple non-linearity in the skill measures or the result of some missing country level variables that actually drive the relationship. Government expenditures, extent of the formal economy, access to repressive measures to insure social order (as opposed to the use of social policy), and business

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<sup>18</sup>Results are not presented here but are available upon request and will be included in the web appendix that I am constructing

climate are all additional variables suggested by the literature (Berens , 2012, Desai et al. , 2009, ?, ?).

In order to test against this possibility, I introduce a number of additional macro-level variables and their interactions with skill and mobility into the basic models (Models 2.1, 3.1, and 4.1) presented above. I introduced inequality, total resources as a percentage of GDP, total government expenditure, a country averaged measure of the percentage of firms who do not report sales for tax purposes taken from and the percentage of firms that report making informal payments to public officials, both from the World Bank's Beeps dataset, and Military expenditure as a percentage of GDP, along with the interactions between these variables and professional and entrepreneur status. Results remained largely the same even after these additions.

Second, it could be that the cleavage between professionals and entrepreneurs in democracies is actually a product of the generally more rapid pace of reform in such settings (Frye , 2010), not of the institutions themselves. I also introduced several variables created by the EBRD to evaluate the pace of economic reform in the transition economies(ERBD , 2012). These include measures of the extent of large and small-scale privatization, the extent to which the government has passed and enforces anti-monopoly legislation and has lowered barriers to business entry, and price liberalization. Results again remain largely the same as the base specifications reported above.

As a final set of robustness checks, I also explored the timing of the effects reported here. I first checked whether the choice of averaging macro-level variables since 2000 influenced results. Inclusion of the 2006 (the year before the survey was conducted) values of the macro-level variables or use of averages taken over the full post-communist period made no difference. I also checked whether professionals and entrepreneurs kept their attitudes even if they changed jobs or retired. To do this, I recoded these variables to create three additional categories – those who were professionals or entrepreneurs at any point during the first five years of the transition, during the most recent five years, and at any point in the post-transition period. Interestingly, results for the individual level variable and its interaction with institutions stayed largely the same, but the levels of significance achieved by the estimates were generally higher for the interaction than when only including only current entrepreneurs and professionals. Although not the cleanest test, this would

suggest that the preferences of those with market skills continue even if they no longer employ these skills.

## 5 Conclusion

This paper's main empirical contribution has been to provide some evidence that the preferences of individuals with skills desirable on the market are conditional on institutional features. In particular, I have emphasized how expectations about future returns in differing institutional environments shape the preferences of those with high expectations about their ability to reap high returns on their investments—entrepreneurs and professionals. This insight is quite interesting, because it suggests two things for the broader literature on the political economy of authoritarianism. First, it suggests that to the extent that key groups that would be more likely to oppose redistribution in democracies—professionals and entrepreneurs—have preferences largely in keeping with those of the rest of the population, authoritarian rulers do not face a tradeoff between retaining support from these groups and buying further support from the poor through redistribution that are critical for Acemoglu and Robinson (2006) and (Boix, 2003). This in turn suggests that the willingness of some authoritarian regime to engage in systematic social transfers, and the relative stability that such strategies generate, may be partially due to the fact that key groups that would normally oppose such transfers—entrepreneurs and professionals in particular—have preferences similar to the average population and do not object. Less dissent would lessen the need for coercion.

Second and related, the complementarity finding also suggests that the actual demands of the population more broadly may be quite different under varying shades of autocratic regimes. Because preferences diverge in some sectors of the population as a country becomes more democratic, the available menu of transfers the authoritarian can make to problematic groups without antagonizing a different social group should diminish. If this is true, it may provide an interesting starting point for analyses in the variation in transfer payments across regime types, and provide a strong political—as opposed to economic—argument for this variation.

In addition, this paper has also served as an entry point into the underexplored area of cross-regime variations in demand for redistribution and begins to bridge the gap between studies of

individual level determinants of policy demand and the broader question of how institutions condition and shape such demands. Although many traditional predictors evoke similar preferences under both autocracy and democracy, an analysis of those characteristics which do produce variation across regime types suggests that for some groups expectations about institutions matter quite a bit. Understanding this fact is crucial to emerging studies that seek to characterize the supply of redistribution across regime type by examining how popular demand is aggregated by institutions and modified into concrete policy. Even in autocracies, this is a critical consideration, as it may help to understand why transfers to the opposition occur in particular ways and what constraints such strategies.



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| VARIABLES             | (1)                  | (2)                  | (3)                  | (4)                  | (5)                  |
|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Age                   | 0.011***<br>(0.003)  | 0.011***<br>(0.004)  | 0.011***<br>(0.004)  | 0.013***<br>(0.003)  | 0.009**<br>(0.004)   |
| Age 2                 | -0.000**<br>(0.000)  | -0.000**<br>(0.000)  | -0.000**<br>(0.000)  | -0.000***<br>(0.000) | -0.000*<br>(0.000)   |
| Education             | -0.026**<br>(0.011)  | -0.024**<br>(0.011)  | -0.020*<br>(0.011)   | -0.024**<br>(0.010)  | -0.026***<br>(0.010) |
| household Size        | 0.018<br>(0.014)     | 0.015<br>(0.015)     | 0.022<br>(0.016)     | 0.012<br>(0.014)     | 0.020<br>(0.014)     |
| decile                | -0.018***<br>(0.004) | -0.016***<br>(0.005) | -0.016***<br>(0.005) | -0.018***<br>(0.005) | -0.017***<br>(0.005) |
| unemployed_now        | 0.036<br>(0.022)     | 0.032<br>(0.021)     | 0.033<br>(0.024)     | 0.037<br>(0.024)     | 0.036*<br>(0.019)    |
| pensioner             | 0.047<br>(0.037)     | 0.039<br>(0.035)     | 0.045<br>(0.040)     | 0.033<br>(0.038)     | 0.053<br>(0.038)     |
| health                | 0.082***<br>(0.012)  | 0.074***<br>(0.011)  | 0.077***<br>(0.012)  | 0.080***<br>(0.012)  | 0.074***<br>(0.012)  |
| minority              | 0.033<br>(0.046)     | 0.025<br>(0.038)     | 0.029<br>(0.042)     | 0.039<br>(0.044)     | 0.033<br>(0.049)     |
| urban                 | -0.058<br>(0.040)    | -0.064*<br>(0.038)   | -0.058<br>(0.038)    | -0.056<br>(0.038)    | -0.058<br>(0.036)    |
| rural                 | -0.054<br>(0.043)    | -0.061<br>(0.042)    | -0.055<br>(0.041)    | -0.050<br>(0.041)    | -0.051<br>(0.039)    |
| Professional          | -0.121***<br>(0.033) | -0.110***<br>(0.033) | -0.115***<br>(0.034) | -0.122***<br>(0.029) | -0.117***<br>(0.031) |
| Entrepreneur          | -0.092**<br>(0.041)  | -0.090**<br>(0.037)  | -0.087**<br>(0.039)  | -0.086*<br>(0.046)   | -0.090**<br>(0.040)  |
| Reprivatization       |                      | 0.302***<br>(0.025)  |                      |                      |                      |
| Support Plan          |                      |                      | 0.076***<br>(0.015)  |                      |                      |
| Support Redist.       |                      |                      |                      | 0.230***<br>(0.011)  |                      |
| sumassetsales         |                      |                      |                      |                      | -0.002<br>(0.009)    |
| sumfoodcuts           |                      |                      |                      |                      | 0.014***<br>(0.003)  |
| sumwagescut           |                      |                      |                      |                      | 0.008<br>(0.006)     |
| cut1                  |                      |                      |                      |                      |                      |
| Constant              | -0.905***<br>(0.098) | -0.800***<br>(0.094) | -0.817***<br>(0.109) | -0.111<br>(0.106)    | -0.924***<br>(0.101) |
| Country Fixed Effects | Yes                  | Yes                  | Yes                  | Yes                  | Yes                  |
| Observations          | 28,953               | 28,751               | 28,889               | 28,941               | 28,953               |
| Pseudo R-squared      | 0.0849               | 0.0935               | 0.0862               | 0.110                | 0.0862               |

Standard errors in parentheses

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

Note: Standard errors are PSU clustered bootstrap standard errors. See text for description.

Table 1: Preferences for State-led Role in Redistribution – Pooled Individual Level Regressions

| VARIABLES               | (1)                  | (2)                  | (3)                  | (4)                  | (5)                  | (6)                  | (7)                  |
|-------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Professional            | -0.184***<br>(0.071) | -0.184***<br>(0.071) | -0.184***<br>(0.071) | -0.184***<br>(0.071) | -0.184***<br>(0.071) | -0.184***<br>(0.071) | -0.187**<br>(0.072)  |
| Entrepreneur            | -0.218***<br>(0.083) | -0.218***<br>(0.083) | -0.218***<br>(0.083) | -0.218***<br>(0.083) | -0.218***<br>(0.083) | -0.218***<br>(0.083) | -0.225***<br>(0.086) |
| GDP                     | -0.000<br>(0.000)    | 0.000<br>(0.000)     | 0.000<br>(0.000)     | -0.000<br>(0.000)    | -0.000<br>(0.000)    | -0.000<br>(0.000)    | 0.000<br>(0.000)     |
| Gov. Expenditure        | -0.027*<br>(0.016)   | -0.025<br>(0.016)    | -0.026<br>(0.016)    | -0.024<br>(0.016)    | -0.027*<br>(0.016)   | -0.026<br>(0.017)    | -0.027<br>(0.017)    |
| Voice Authority         | 0.184<br>(0.198)     |                      |                      |                      | 0.225<br>(0.232)     | 0.155<br>(0.215)     | 0.202<br>(0.188)     |
| voa00xEntrep.           | -0.198**<br>(0.090)  |                      |                      |                      | -0.198**<br>(0.090)  | -0.198**<br>(0.090)  | -0.196**<br>(0.091)  |
| voa00xProf.             | -0.205***<br>(0.075) |                      |                      |                      | -0.205***<br>(0.075) | -0.205***<br>(0.075) | -0.203***<br>(0.076) |
| Rule Law                |                      | 0.133<br>(0.292)     |                      |                      |                      |                      |                      |
| rolfxEntrep.            |                      | -0.197**<br>(0.090)  |                      |                      |                      |                      |                      |
| rolfxProf.              |                      | -0.204***<br>(0.075) |                      |                      |                      |                      |                      |
| Control Corrupt.        |                      |                      | 0.162<br>(0.383)     |                      |                      |                      |                      |
| cocxEntrep.             |                      |                      | -0.197**<br>(0.090)  |                      |                      |                      |                      |
| cocxProf.               |                      |                      | -0.204***<br>(0.075) |                      |                      |                      |                      |
| Gov. Effect.            |                      |                      |                      | 0.221<br>(0.339)     |                      |                      |                      |
| gexEntrep.              |                      |                      |                      | -0.197**<br>(0.090)  |                      |                      |                      |
| gexProf.                |                      |                      |                      | -0.204***<br>(0.075) |                      |                      |                      |
| resource_rents          |                      |                      |                      |                      | 0.003<br>(0.007)     |                      |                      |
| Perc. Firm Sales Report |                      |                      |                      |                      |                      | 0.003<br>(0.009)     |                      |
| Inequality              |                      |                      |                      |                      |                      |                      | 0.025<br>(0.032)     |
| Constant                | 1.971*<br>(1.158)    | 1.827<br>(1.158)     | 1.876<br>(1.176)     | 1.773<br>(1.148)     | 1.936*<br>(1.160)    | 1.613<br>(1.550)     | 1.937<br>(1.246)     |
| Random Entrep.          | -1.219***<br>(0.314) | -1.217***<br>(0.314) | -1.218***<br>(0.314) | -1.218***<br>(0.314) | -1.218***<br>(0.314) | -1.219***<br>(0.314) | -1.187***<br>(0.310) |
| Random Prof.            | -1.373***<br>(0.243) | -1.373***<br>(0.243) | -1.373***<br>(0.243) | -1.373***<br>(0.243) | -1.373***<br>(0.243) | -1.374***<br>(0.243) | -1.357***<br>(0.244) |
| Randome Intercept       | -0.592***<br>(0.142) | -0.580***<br>(0.142) | -0.579***<br>(0.142) | -0.584***<br>(0.142) | -0.595***<br>(0.142) | -0.595***<br>(0.142) | -0.648***<br>(0.145) |
| Observations            | 25,803               | 25,803               | 25,803               | 25,803               | 25,803               | 25,803               | 24,805               |
| Number of groups        | 26                   | 26                   | 26                   | 26                   | 26                   | 26                   | 25                   |
| chi2                    | 726.4                | 725.7                | 725.6                | 725.9                | 726.5                | 726.6                | 713.6                |
| log Likelihood          | -14975               | -14975               | -14975               | -14975               | -14975               | -14975               | -14505               |

Standard errors in parentheses. All models use random intercepts and random slopes for Professional and Entrepreneur.

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

Table 2: Preferences for State-led Role in Redistribution Given Institutions – Voice and Authority



| VARIABLES               | (1)                  | (2)                  | (3)                  | (4)                  |
|-------------------------|----------------------|----------------------|----------------------|----------------------|
| Professional            | -0.230***<br>(0.060) | -0.230***<br>(0.060) | -0.230***<br>(0.060) | -0.230***<br>(0.060) |
| Entrepreneur            | -0.032<br>(0.081)    | -0.032<br>(0.081)    | -0.032<br>(0.081)    | -0.032<br>(0.081)    |
| GDP                     | 0.000<br>(0.000)     | 0.000<br>(0.000)     | 0.000<br>(0.000)     | 0.000<br>(0.000)     |
| Gov. Expenditure        | -0.035**<br>(0.016)  | -0.035**<br>(0.016)  | -0.035**<br>(0.017)  | -0.030*<br>(0.018)   |
| Freedom House           | 0.070<br>(0.088)     | 0.109<br>(0.107)     | 0.067<br>(0.097)     | 0.073<br>(0.088)     |
| fhinvxEntrep.           | -0.096***<br>(0.037) | -0.096**<br>(0.037)  | -0.096***<br>(0.037) | -0.096***<br>(0.037) |
| fhinvxProf.             | -0.057*<br>(0.032)   | -0.057*<br>(0.032)   | -0.057*<br>(0.032)   | -0.057*<br>(0.032)   |
| resource_rents          |                      | 0.005<br>(0.008)     |                      |                      |
| Perc. Firm Sales Report |                      |                      | 0.001<br>(0.009)     |                      |
| Inequality              |                      |                      |                      | 0.023<br>(0.033)     |
| Constant                | 2.670**<br>(1.161)   | 2.630**<br>(1.154)   | 2.592<br>(1.582)     | 2.275*<br>(1.281)    |
| Random Entrep.          | -1.162***<br>(0.248) | -1.163***<br>(0.249) | -1.162***<br>(0.248) | -1.164***<br>(0.249) |
| Random Prof.            | -1.422***<br>(0.233) | -1.421***<br>(0.233) | -1.422***<br>(0.233) | -1.424***<br>(0.234) |
| Random Intercept        | -0.609***<br>(0.145) | -0.618***<br>(0.145) | -0.609***<br>(0.145) | -0.619***<br>(0.145) |
| Observations            | 24,960               | 24,960               | 24,960               | 24,960               |
| Number of groups        | 25                   | 25                   | 25                   | 25                   |
| chi2                    | 440.2                | 440.6                | 440.2                | 440.8                |
| log Likelihood          | -14739               | -14739               | -14739               | -14739               |

Standard errors in parentheses. All models use random intercepts and random slopes for Professional and Entrepreneur.  
\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Table 3: Preferences for State-led Role in Redistribution Given Institutions – Freedom House

| VARIABLES               | (1)                  | (2)                  | (3)                  | (4)                  | (5)                  | (6)                  |
|-------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Professional            | -0.182**<br>(0.077)  | -0.182**<br>(0.079)  | 0.100<br>(0.206)     | -0.182**<br>(0.077)  | -0.182**<br>(0.077)  | -0.188**<br>(0.079)  |
| Entrepreneur            | -0.216**<br>(0.091)  | -0.212**<br>(0.094)  | -0.216**<br>(0.091)  | -0.216**<br>(0.091)  | -0.216**<br>(0.091)  | -0.228**<br>(0.094)  |
| GDP                     | 0.000<br>(0.000)     | 0.000<br>(0.000)     | 0.000<br>(0.000)     | 0.000<br>(0.000)     | 0.000<br>(0.000)     | 0.000<br>(0.000)     |
| Gov. Expenditure        | -0.026<br>(0.016)    | -0.025<br>(0.016)    | -0.024<br>(0.016)    | -0.026<br>(0.016)    | -0.025<br>(0.016)    | -0.025<br>(0.018)    |
| polityavr2000           | 0.016<br>(0.022)     |                      |                      | 0.021<br>(0.028)     | 0.011<br>(0.025)     | 0.010<br>(0.022)     |
| pol00xEntrep.           | -0.016<br>(0.015)    |                      |                      | -0.016<br>(0.015)    | -0.016<br>(0.015)    | -0.018<br>(0.015)    |
| pol00xProf.             | -0.016<br>(0.013)    |                      |                      | -0.016<br>(0.013)    | -0.016<br>(0.013)    | -0.017<br>(0.013)    |
| XConst                  |                      | -0.006<br>(0.057)    |                      |                      |                      |                      |
| xcon00xEntrep.          |                      | -0.023<br>(0.043)    |                      |                      |                      |                      |
| xcon00xProf.            |                      | -0.022<br>(0.036)    |                      |                      |                      |                      |
| Pol. Comp.              |                      |                      | 0.034<br>(0.045)     |                      |                      |                      |
| polcomp00xEntrep.       |                      |                      | -0.039<br>(0.032)    |                      |                      |                      |
| polcomp00xProf.         |                      |                      | -0.040<br>(0.027)    |                      |                      |                      |
| resource_rents          |                      |                      |                      | 0.002<br>(0.008)     |                      |                      |
| Perc. Firm Sales Report |                      |                      |                      |                      | 0.003<br>(0.009)     |                      |
| Inequality              |                      |                      |                      |                      |                      | 0.023<br>(0.033)     |
| Constant                | 1.895<br>(1.155)     | 1.792<br>(1.156)     | 1.754<br>(1.147)     | 1.855<br>(1.161)     | 1.502<br>(1.586)     | 1.809<br>(1.260)     |
| Random Entrep.          | -1.050***<br>(0.256) | -1.005***<br>(0.244) | -1.061***<br>(0.259) | -1.049***<br>(0.256) | -1.050***<br>(0.256) | -1.034***<br>(0.258) |
| Random Prof.            | -1.209***<br>(0.220) | -1.179***<br>(0.217) | -1.231***<br>(0.223) | -1.209***<br>(0.220) | -1.210***<br>(0.220) | -1.199***<br>(0.221) |
| Random Intercept        | -0.587***<br>(0.142) | -0.578***<br>(0.142) | -0.587***<br>(0.142) | -0.588***<br>(0.142) | -0.589***<br>(0.142) | -0.630***<br>(0.145) |
| Observations            | 25,803               | 25,803               | 25,803               | 25,803               | 25,803               | 24,805               |
| Number of groups        | 26                   | 26                   | 26                   | 26                   | 26                   | 25                   |
| chi2                    | 705.3                | 700.8                | 707.6                | 705.4                | 705.5                | 693.3                |
| log Likelihood          | -14980               | -14981               | -14979               | -14979               | -14979               | -14510               |

Standard errors in parentheses. All models use random intercepts and random slopes for Professional and Entrepreneur.  
\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Table 4: Preferences for State-led Role in Redistribution Given Institutions –Polity IV

| Variable                | Mean     | Std. Dev. | N     |
|-------------------------|----------|-----------|-------|
| decile                  | 5.499    | 2.873     | 29002 |
| nwpensioner             | 0.236    | 0.425     | 29002 |
| Entrepreneur            | 0.082    | 0.275     | 29002 |
| Professional            | 0.108    | 0.31      | 29002 |
| Redistribution          | 3.314    | 1.029     | 28990 |
| Plan                    | 0.888    | 0.853     | 28936 |
| Reprivatization         | 0.466    | 0.499     | 28797 |
| Education               | 2.389    | 1.16      | 28995 |
| health                  | 1.721    | 0.996     | 28998 |
| minority                | 0.107    | 0.308     | 28976 |
| Household Size          | 1.022    | 0.803     | 29002 |
| urban                   | 0.362    | 0.481     | 29002 |
| rural                   | 0.427    | 0.495     | 29002 |
| unemployed_now          | 0.295    | 0.456     | 29002 |
| Age                     | 46.516   | 17.722    | 29000 |
| Age2                    | 2477.743 | 1759.19   | 29000 |
| Voice Authority         | -0.024   | 0.887     | 26003 |
| Rule Law                | -0.308   | 0.707     | 26003 |
| Control Corrupt.        | -0.345   | 0.624     | 26003 |
| Gov. Effect.            | -0.121   | 0.694     | 26003 |
| Inequality              | 32.904   | 3.873     | 25003 |
| polityavr2000           | 4.377    | 5.645     | 26006 |
| XConst                  | 5.167    | 2.092     | 26006 |
| Pol. Comp.              | 6.998    | 2.676     | 26006 |
| Sum Food Cuts           | 1.806    | 4.043     | 29007 |
| Sum Asset Sales         | 0.249    | 1.16      | 29007 |
| Sum Wages Cut           | 0.507    | 1.748     | 29007 |
| Perc. Firm Sales Report | 45.294   | 14.365    | 26003 |
| Freedom House           | 3.774    | 1.762     | 25003 |
| GDP                     | 0        | 4484.245  | 26003 |
| Gov. Expenditure        | 71.077   | 8.947     | 26003 |
| resource_rents          | 9.366    | 18.03     | 26004 |

Table 5: Summary statistics

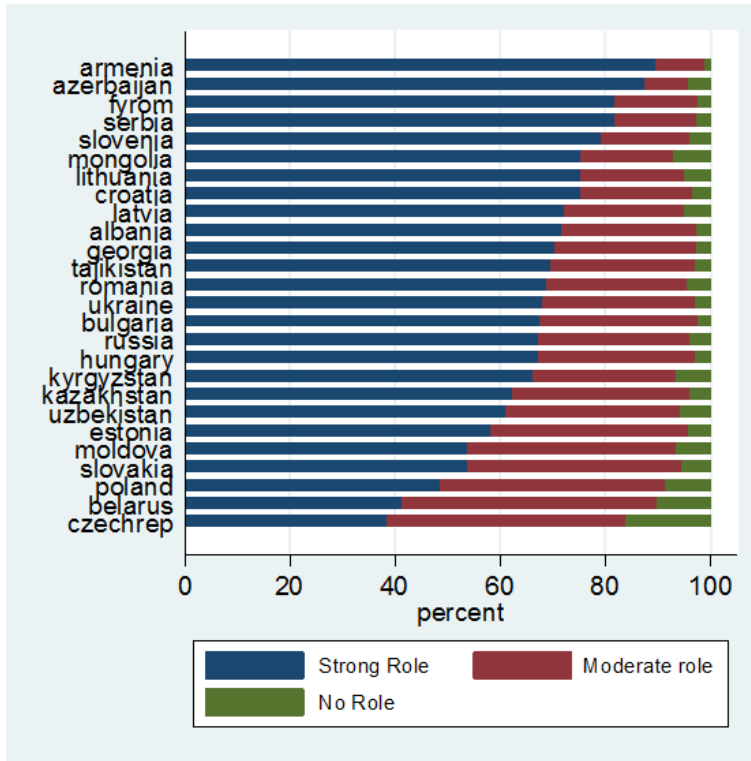


Figure 1: Preferences for a State Role in Social Policy

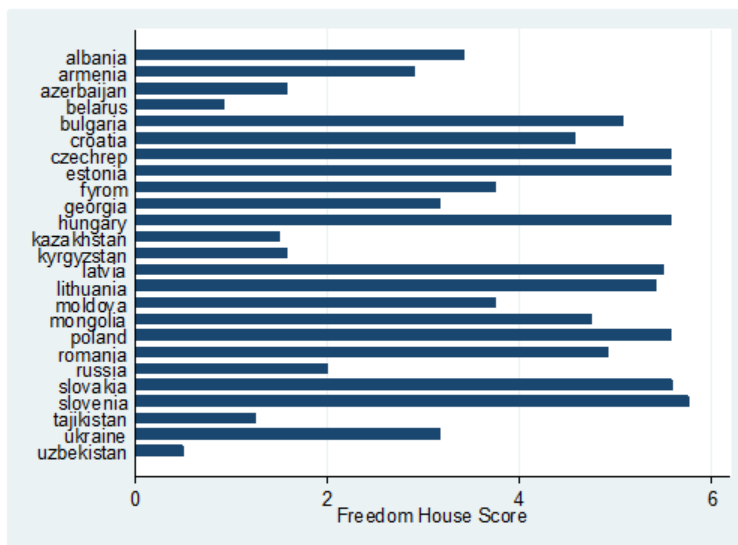


Figure 2: Average Freedom House Values – 2000-2006

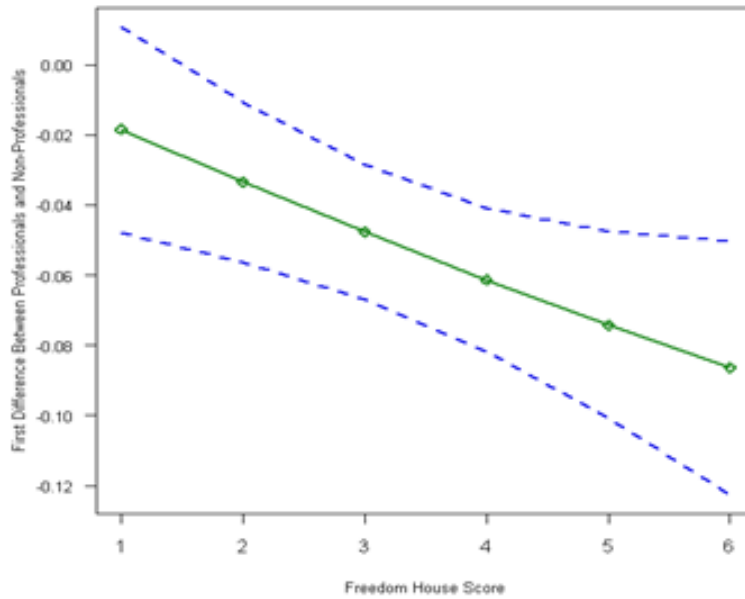


Figure 3: First Difference Between Entrepreneurs and Non-Entrepreneurs – Freedom House

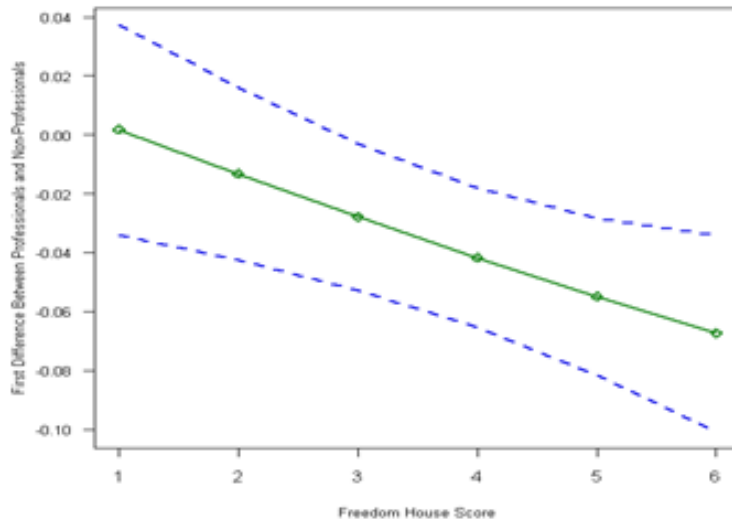


Figure 4: First Difference Between Professionals and Non-Professionals – Freedom House