

A Comparative Study of Preferences for Redistribution

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Abstract

Developed countries differ vastly in terms of the amount of taxation, social spending, and redistribution operated by their governments (Alesina and Glaeser, 2004). The US – and more generally Anglo-Saxon countries – epitomize socio-economic systems that rely heavily on free markets as allocative mechanisms, whilst continental European countries attribute a larger role to the State and to regulative mechanisms. These macroeconomic differences are mirrored in the dissimilar patterns of attitudes towards social mobility and opportunities that people hold (Alesina and Glaeser, 2004; Corneo and Gruner, 2002). In particular, most people in the US believe that an individual's success in their career is the result of hard work, whereas the majority of people in Europe hold the view that this is the upshot of luck or one's family background.

The goal of the paper is to examine experimentally the underlying cultural, psychological, and sociological reasons of these differences within a comparative experimental study. We draw on the experimental framework developed in Durante and Putterman (2008), and Esarev *et al.* (2006) to examine how individuals' preferences for earnings redistribution are affected by changes in the determinants of such differences. We replicate the study in the Italy and the US – two countries that are representative of the different systems.

Individuals first earn variable sums of incomes, and are then asked to choose how much taxation and redistribution to implement in the group of people with whom they interact. Pre-tax earnings are determined according to an individual's relative ranking in a series of different procedures, i.e. (a) a random procedure, (b) a biased random procedure such that participants coming from areas with higher per capita income are favoured with respect to others, (c) an effort-based task, (d) a test of ability in abstract reasoning. This enables us examining people's propensity to redistribute when income is produced through (a) a purely arbitrary but unbiased method, (b) a method favouring those coming from the most affluent economic strata, (c) individual effort, (d) individual talents or 'innate' abilities. Multiplicity of experimental choices also allows measuring the impact of risk and ambiguity aversion. Cultural roots, attitudes towards redistribution, values, and the social status of the participants are obtained through a questionnaire, and will be matched with the experimental decisions to investigate the existence of statistical regularities.

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