How *perceived* social mobility affects preference for redistribution

A comparison between France, Japan, and the United States

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1. Motivation & contribution

Dissatisfaction with inequalities and preferences for redistribution

a link that is not so straightforward

- From preference for redistribution to policies
- From inequality to preference for redistribution
- A part of preference for redistribution seems to stem from dislike of inequality, risk-aversion etc. But there remains an unexplained part. What may explain the gap?

Social mobility (table from Piketty 1995)

PERCENTAGE OF VOTES FOR LEFT-WING PARTIES AS A FUNCTION OF INDIVIDUAL MOBILITY EXPERIENCE

		Respondent's income	
		Low income	High income
Parents income	Low income	72%	38%
	High income	49%	24%

(Average matrix for six countries: Germany 1953, Britain 1962, United States, 1953, Finland 1949, France 1966, Norway 1957. Standard deviation = 5.78%.

Source. Cherkaoui [1992, p. 189].

Interpretation

- **At the micro level,** one's social trajectory seems to influence one's opinion concerning redistribution
- This link can be further investigated

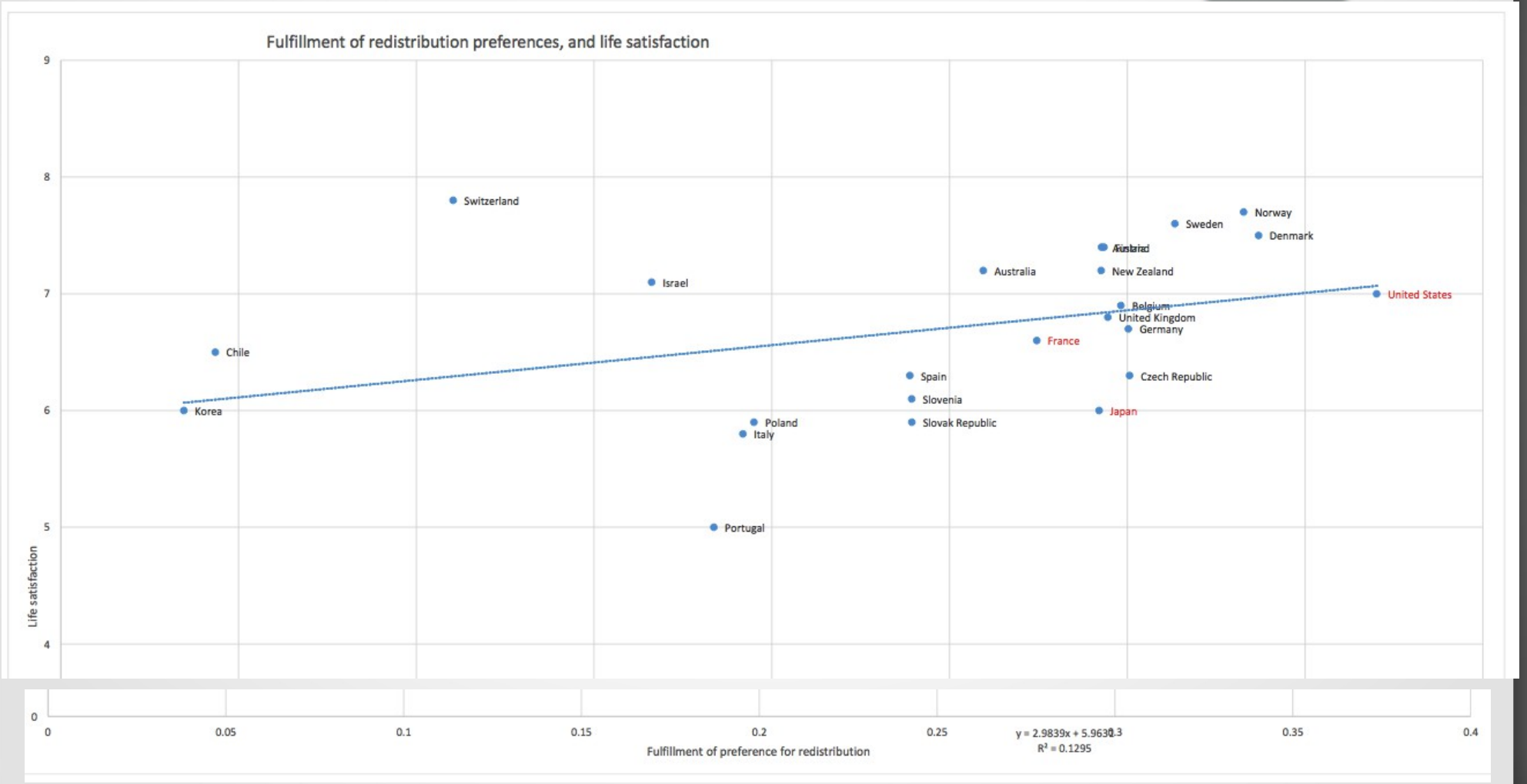
Link with the Doshisha Research Program on happiness

- Parts 3 (inequality) & 1 (social system): Effects of economic inequality on happiness and influence of social security on happiness
- Definition of the role of government: exploring the link between inequality, dislike of inequality, preference for redistribution and redistribution on happiness...

Questions at the origin of this research

- At the **micro** level, how one's past experience and social trajectory affects one's preference for redistribution?
- Does an experience of upward and downward social mobility affect one's preference differently? Is the effect of inter and intra-generational mobility the same?
- Is the effect heterogenous in different developed countries?

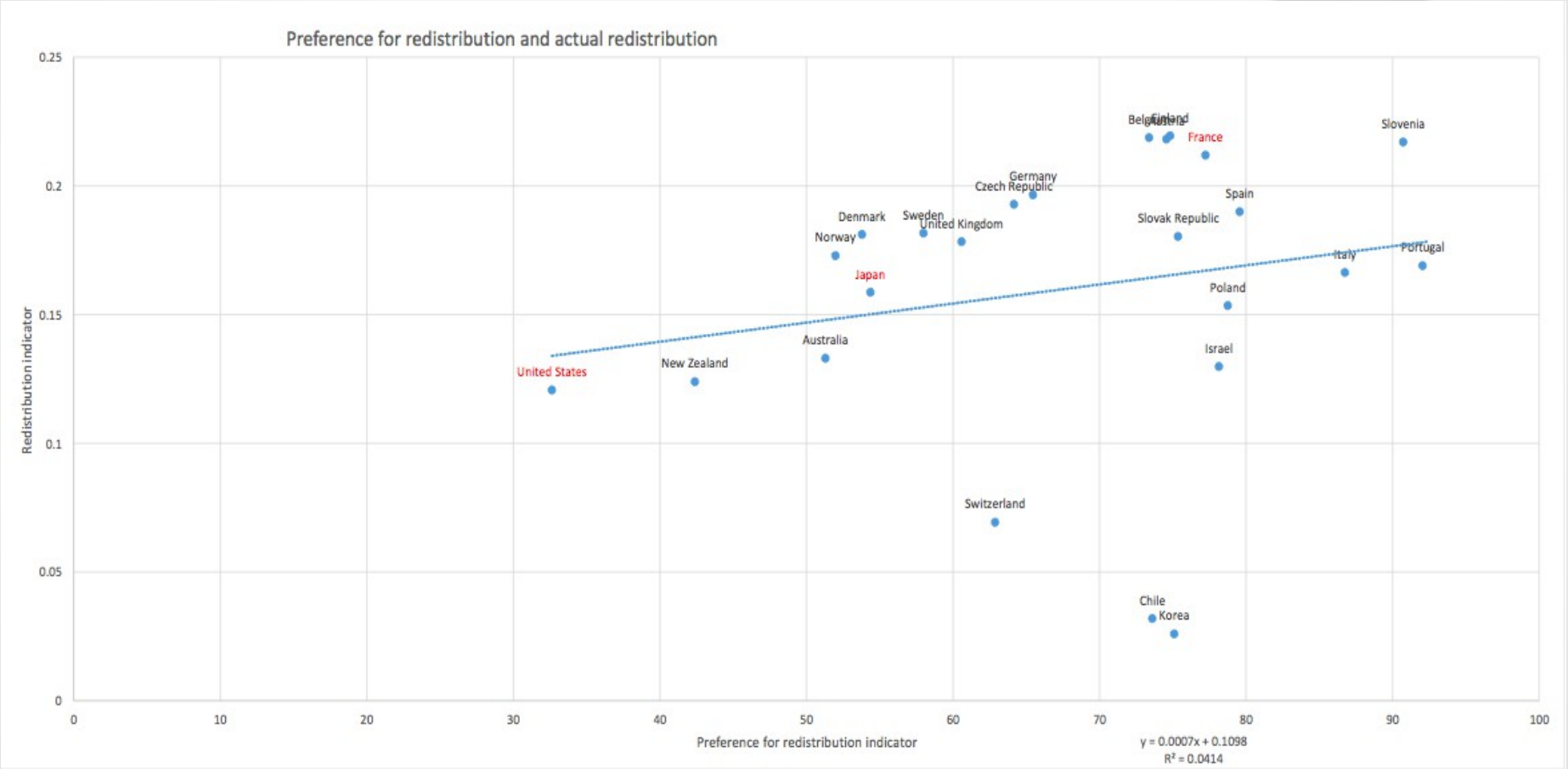
Chart (data from ISSP 2009 and OECD website)



Why comparing France, Japan, and the US?

- Same Gini **before tax** (0.49) in 2009
- Different levels of redistribution and preference for redistribution
- 3 developed countries with similar HDI but different cultures and histories

Preference for redistribution and actual redistribution (macro level)



Content of today's presentation

- 1. Motivation and contribution
- 2. Social mobility and preferences for redistribution: some theoretical insights
- 3. Stylized facts of the comparison between J, F, and the US (+ presentation of the dataset)
- 4. Hypotheses and empirical strategy
- 5. Preliminary results
- 6. Conclusions and next steps

2. Social mobility and preference for redistribution: some theoretical insights

Literature review: overview

- General determinants of preference for redistribution **at an individual level**
- POUM
- Piketty's learning model
- What about France, Japan and USA in empirics?

General determinants of preference for redistribution at an individual level

- Usual socio-demographic controls: income status, age, gender, race, religion...
- «Holistic» or cultural level: dislike of ineaquality; estimation of «incentive cost» of taxation...
- Individualistic determinant: maximizing one's life-cycle income, basic model by Meltzer and Richards 1981 (but usually strong correlation with current income status though). So social mobility perspectives are a component of the decision process, and they are potentially affected by mobility experience.

The POUM (Bénabou and Ok 1998)

- As usually the median is below the mean of incomes, why does the median voter not choose complete equalization of incomes?
- Hypothesis: because of the Prospect Of Upward Mobility
- Observation: actually in the USA, 51% of people earn **on their life-time** more than average (median above the mean)
- Therefore Prospect Of Upward Mobility is a good candidate to explain a part of the preference for redistribution

Past experience and political preference (Piketty 1995)

- Basic observation: people's votes are correlated with their parents' status. Thus past experience seems to influence one's vote.
- Theoretical model: in society, achievements are functions of **effort** and **luck**. All citizens tend to agree that «efforts should be rewarded»
- But nobody has knowledge of the «true» parameters of effort and luck
- So people estimate them according to the trajectory of their «dynasty»
- The predictions of Piketty's model are consistent with the data

Comparison between France, Japan and the USA

- «Objective» level of social mobility tend to be close between USA and France (Fields and Ok 1999). However, **perceived** social mobility is much higher in the USA (Alesina *et al.* 2004) which might explain lower taste for redistribution.
- Ohtake and Tomioka (2004) find that in Japan perceived change in social mobility (*as measured by «do you think that a lot of poor got rich or rich got poor ?»*) has no significant impact on preference for redistribution. In contrast, a perceived increase in general **poverty** has a strong positive impact.

3. Stylized facts of the comparison between J, F, and the US (+ presentation of the dataset)

Dataset: ISSP 2009

- Questionnaire conducted in 2008 in a set of countries. Subjective data, theme of *Social Inequality*
- ISSP is conducted every year but subjects change. There exist previous issues on inequality but ISSP is not a panel so we concentrate on 2009 issue.

Note on what is to perceive *more* mobility

- «A more mobile society» (both upward and downward)
- Versus «more **upward** social mobility»
- Two meanings, often considered as the same in the literature, but we should be careful as we envisage downward social mobility

Perception of *a mobile society* and preference for redistribution

	USA	Japan	France
For getting ahead in life, coming from a wealthy family is essential/very/fairly important (%)	62.66	52.42	38.94
It is government's responsibility to reduce differences in income, strongly agree/agree (%)	32.63	54.36	77.23

Comments

- The hierarchy in the preference for redistribution reflects the hierarchy in «objective» redistribution (USA < Japan < France). However, the hierarchy in the perception of a mobile society, where one's achievements do not depend on their parents' income, is reversed: Americans are more likely to think one's parents' income is important than the Japanese, who are more likely to say so than the French. This is puzzling.

Comments

- Overall, it seems that in the USA, the people who think society is mobile are those who are less likely to prefer redistribution (and vice-versa).
- In Japan also, the results are not surprising: the people who think society is mobile seem to be more likely to oppose redistribution.
- In France though, the correlation seems to exist, but the striking fact is that even the people who think «coming from a wealthy family is not important at all» tend to be in favor of redistribution!

Note: social mobility compared in France, Japan and the US

However, a comparison of intergenerational transmission of income and education in Japan and in France- which uses comparable surveys between the mid-1960s and the mid-2000s shows that intergenerational income and education mobility is much higher in Japan than in France (Lefranc, Ojima & Yoshida, 2008).

► Subjective/objective mobility are not necessarily completely correlated

Individual's trajectory and preference for redistribution in the USA

(France and Japan tables are in appendix)

Government's responsibility to reduce inequalities	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Total
Position higher than father's	8.36	26.97	15.46	28.39	20.82	100
Position lower than father's	6.99	22.80	17.62	33.94	18.65	100
No mobility or irrelevant	7.99	23.36	15.78	33.40	19.47	100
Total	7.89	24.73	16.11	31.43	19.83	100

4. Hypotheses and empirical strategy

Deriving the hypotheses from the theoretical literature and the stylized facts

At an **individual level** but potentially **in different ways among the 3 countries**

- How does the experience of upward/downward mobility affect preference for redistribution? (idea of a «dynastic» learning process, inspired by Piketty)

Empirical strategy and issues

- Subjective data, prone to endogeneity bias
- Conducting regressions of preference for redistribution (degree of agreement, on a scale from 1 to 5, to *It is government's responsibility to reduce differences in income*)
- Set of usual controls (age, gender, income, assets)
- Explanatory variables: experienced social mobility (use of 2 different questions from ISSP for robustness check)
- In order to address **endogeneity bias, instruments for 2SLS**: number of books at home during childhood, and father's job

5. Results

(see appendix for some full regression tables)

Regression 1 (exploratory OLS) :

- Y : Preference for redistribution (*Government should reduce differences in income,* from 1 to 5)
- Explanatory variable : individual's self-assessed position from 1 to 10 in society, minus his parents' (captures self-assessed mobility ; an increase measures **upward** mobility)
- Controls : age, sex, income quartile dummies, debt/stock dummies (measuring assets), marital status, region dummies, type of job

Results 1: coefficients on « social mobility » variable

- France : -0.003 (p = 0.84)
- Japan : -0.18 (p = 0.595)
- USA : -0.235 (*)

- Only US coefficient is significant (10% level only)
- However this is endogenous, so we introduced an instrument

Regression 2 (2SLS)

- Y : Preference for redistribution (*Government should reduce differences in income,* from 1 to 5)
- Explanatory variable : individual's self-assessed position from 1 to 10 in society, minus his parents' (captures self-assessed mobility ; an increase measures **upward** mobility)
- **Instruments : number of books at home and father's type of job when respondent was 15**
- Controls : age, sex, income quartile dummies, debt/stock dummies (measuring assets), marital status, region dummies, type of job

Result 2 (2SLS) : coefficient on social mobility variable

- **France : 0.345 (***)**
- Japan : -0.186 (p = 0.506)
- USA : -0.95 (p = 0.394)

- So the result is significant only for France, and effect is positive, but the interpretation is challenging (people who benefited from school trust government and public goods?)

Regression 3 (2SLS) : « absolute value of mobility »

- Same Y, same controls, same instruments
- Explanatory variable : this time we measure « absolute value » of social mobility, that is to say the scope of the inter-generational movement
- We try to see whether what matters is not « upward » or « downward » mobility, but experience of any mobility

Regression 3, results : coefficient on « absolute value of experienced mobility »

- **France : 0.809 (***)**
- Japan : 0.553 (p = 0.561)
- USA : -0.393 (p = 0.274)

- Again, France is the only country where the coefficient is significant, and it is positive. The interpretation is even more challenging.

6. Conclusions and next steps

Conclusion

- There seems to be a link between experienced social mobility and one's preference for redistribution in France. At this point, we cannot see a significant effect in Japan and the USA.
- However, the positive coefficient in France is hard to interpret

Next steps

- To put it crudely, revise the 2SLS regressions to find something significant for Japan and the USA (changing specification, adding different sets of controls...)
- Find interpretations for the different impacts of the perception of mobility, in particular the positive sign in France

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- For some data: stats.oecd.org

Thank you for your attention

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Appendix

Table 1: Inter-generational mobility and preference for redistribution, Japan

Government's responsibility to reduce inequalities	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Total
Position higher than father's	23.77	27.80	28.25	9.42	10.76	100
Position lower than father's	28.74	29.31	29.12	6.90	5.94	100
No mobility or irrelevant	22.27	29.26	29.04	9.17	10.26	100
Total	25.35	29.01	28.93	8.23	8.48	100

Table 2: Inter-generational mobility and preference for redistribution, France

Government's responsibility to reduce inequalities	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Total
Position higher than father's	49.35	27.23	13.07	7.83	2.51	100
Position lower than father's	51.61	24.86	14.61	6.64	2.28	100
No mobility or irrelevant	52.08	26.69	11.51	7.24	2.49	100
Total	50.62	26.61	12.89	7.42	2.46	100

Table 6 : IV upward mobility, France

		Number of obs =	2333
		F(113, 2219) =	2.04
		Prob > F =	0.0000
Total (centered) SS =	2553.627398	Centered R2 =	-0.1641
Total (uncentered) SS =	43165.52384	Uncentered R2 =	0.9311
Residual SS =	2972.75158	Root MSE =	1.129

gredis	Coef.	Robust Std. Err.	z	P>|z|	[95% Conf.	Interval]
ecost_f2	.3450763	.0908382	3.80	0.000	.1670367	.523116
highinc25	-.465009	.0884366	-5.26	0.000	-.6383416	-.2916764
highinc2550	-.1267941	.090447	-1.40	0.161	-.304067	.0504787
lowinc2550	.1985754	.0836234	2.37	0.018	.0346765	.3624743
lowinc25	.2197669	.105735	2.08	0.038	.0125302	.4270036
no_h	-.0855781	.094181	-0.91	0.364	-.2701696	.0990133
no_s	.2013496	.0828505	2.43	0.015	.0389656	.3637335
debt_h	.1788638	.1836932	0.97	0.330	-.1811682	.5388959
debt_s	.1380958	.1524429	0.91	0.365	-.1606867	.4368783
edu	-.0178464	.0064578	-2.76	0.006	-.0305035	-.0051892
AGE	-.0034556	.0024646	-1.40	0.161	-.0082861	.0013749
male	-.0982786	.0575063	-1.71	0.087	-.2109889	.0144316

Table 7 : IV upward mobility, Japan

		Number of obs =	631
		F(26, 604) =	2.01
		Prob > F =	0.0022
Total (centered) SS =	877.0839937	Centered R2 =	0.0222
Total (uncentered) SS =	8464	Uncentered R2 =	0.8987
Residual SS =	857.5702283	Root MSE =	1.166

gredis	Coef.	Robust Std. Err.	z	P>|z|	[95% Conf.	Interval]
ecost_f2	-.1863726	.2803339	-0.66	0.506	-.7358169	.3630716
highinc25	-.1987625	.2027377	-0.98	0.327	-.5961211	.1985962
highinc2550	-.0947894	.1842544	-0.51	0.607	-.4559214	.2663427
lowinc2550	-.1343974	.191405	-0.70	0.483	-.5095444	.2407496
lowinc25	.0926076	.2151803	0.43	0.667	-.3291381	.5143532
no_h	-.149599	.1625373	-0.92	0.357	-.4681663	.1689683
no_s	.514596	.2292262	2.24	0.025	.065321	.963871
debt_h	-.0526792	.1866825	-0.28	0.778	-.4185701	.3132117
debt_s	.3377492	.1832378	1.84	0.065	-.0213903	.6968887
edu	-.0231635	.0316003	-0.73	0.464	-.085099	.0387719
AGE	.0055708	.0064569	0.86	0.388	-.0070846	.0182262
male	-.1079801	.0953195	-1.13	0.257	-.2948029	.0788427

Table 8 : IV upward mobility, USA

		Number of obs =	1392
		F(26, 1365) =	3.90
		Prob > F =	0.0000
Total (centered) SS =	2161.951292	Centered R2 =	0.0654
Total (uncentered) SS =	11769.22601	Uncentered R2 =	0.8283
Residual SS =	2020.592493	Root MSE =	1.205

gredis	Coef.	Robust Std. Err.	z	P>|z|	[95% Conf.	Interval]
ecost_f2	-.0954367	.1118558	-0.85	0.394	-.3146701	.1237968
highinc25	-.1311607	.1387197	-0.95	0.344	-.4030464	.140725
highinc2550	-.1022383	.135855	-0.75	0.452	-.3685092	.1640326
lowinc2550	.2928998	.1435417	2.04	0.041	.0115633	.5742364
lowinc25	.4069343	.1614292	2.52	0.012	.0905389	.7233296
no_h	-.1194139	.1141308	-1.05	0.295	-.3431061	.1042783
no_s	-.101939	.1449117	-0.70	0.482	-.3859607	.1820827
debt_h	.2126399	.1939196	1.10	0.273	-.1674356	.5927154
debt_s	.1427361	.1765869	0.81	0.419	-.2033678	.48884
edu	-.0230513	.0243193	-0.95	0.343	-.0707162	.0246136
AGE	-.0055398	.002963	-1.87	0.062	-.0113471	.0002676
male	-.0937279	.077368	-1.21	0.226	-.2453665	.0579106