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Near Is My Shirt but Nearer Is My Skin. Ideology or Self-Interest as Determinants of Public Opinion on Fiscal Policy Issues

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of Public Opinion on Fiscal Policy Issues**

**Hans Pitlik, Gerhard Schwarz (WIFO),
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Summary

Several empirical studies derive that personal positions with respect to policy measures are dominated by ideology instead of narrow self-interest. In the present field study we carried out a telephone survey with 1.003 respondents all over Austria. Instead of measuring selfishness indirectly by using more or less 'objective indicators' for self-interest, we requested respondents to assess directly whether they expect to be affected by policy measures. Our results indicate that such a subjectively measured narrow self-interest explains attitudes towards economic policies at least as good as ideological conviction. In some cases ideology appears to determine whether people feel affected by a proposed policy measure.

Key words: public opinion, sociotropic voting, ideology, self-interest, telephone surveys

JEL-Code: d72, d83, d84

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I. INTRODUCTION

Which factors determine public opinion on economic policy issues? How do people derive their personal positions with respect to policy measures? Although these questions are at the heart of an understanding of voting behavior and, probably, for the making of economic policies in democratic societies (Page and Shapiro, 1983), Public Choice theory still lacks a unique conception about the process of individual preference formation and voter motivation. Somewhat simplifying, two broad lines of reasoning to explain preference formation can be separated, an egocentric (self-interest) approach and a sociotropic approach.

Simple rational choice theory claims that individual attitudes towards economic policies are determined by narrow self-interest. Individuals know what is in their own interest and make choices accordingly. Based on perceptions of the individual costs and benefits people develop expectations about the net effects of policies on their personal well-being. If the expected effect of a certain policy measure is positive, the respective citizen-voters are in favor of it. All that is required for an accurate determination of individual attitudes towards some specific policy measure is an assessment of the economic consequences on personal well-being. Hence, from this point of view individual opinion on policy measures is exclusively shaped by egocentric motivation.

This view is often criticized. First, it is argued that an average person does not have the capability to calculate the individual costs and benefits of most policy measures. She/he usually lacks the technical knowledge and the information to gauge the personal consequences of certain policy measures on her/his personal well-being. Second, rational citizen-voters usually do not have an incentive to become informed about economic policy issues (Downs, 1957). As the costs of acquiring information are positive and the individual impact of an informed vote on final election outcomes is negligible, citizen-voters should remain rationally ignorant with respect to the effects of most policy issues. Attitudes towards economic policies are then often driven by ideological convictions and ideas. As Downs (1957) concludes, party ideologies serve as a substitute for the individual cost of acquiring political and economic information. Yet such ideologically shaped policy preferences might still be consistent with self-interested behavior. Rational individuals 'choose' a certain ideology as an information short-cut, and their choice depends on which ideological party affiliation is expected to suit best to selfish motives. In many cases ideological and self-interested opinion formation are therefore not easily separable.

A somewhat different thinking dominates the sociotropic approach. According to this view, when forming opinions about economic policies, people have a normative view in mind, i.e. a notion how the world 'should' be (Denzau and North, 1994). Ideas and ideologies matter in particular in collective choices, as people do not have an incentive to collect information. According to the theory of low-cost decisions and expressive voting (see e.g. Kirchgässner and Pommerehne, 1993; Brennan and Lomasky, 1993) supporting or opposing a specific

economic policy has no direct consequences for personal well-being, as individual action does not have an effect on the overall outcome. In such a situation it is almost without personal costs to express ideological convictions that are not necessarily in accordance with narrow self-interest. On the contrary, in the market sphere decisions which are only based on ideological judgments are associated with high costs as the consequences of a decision are borne by the decider. Hence, due to the low cost character of expressing preferences in the political sphere, ideology and a personal conception of "the common good" are stronger motives in individual voting behaviour and may thus explain policy preference formation much better than pure self-interest.

Empirical investigations of individual and collective opinion formation so far often support the latter position. Studies from the fields of economics, sociology and political science (see Citrin and Green, 1990; Sears and Funk, 1990; MacKuen et al., 1992; Mutz, 1993; Holbrook and Garand, 1996; Krause, 1997; Fuchs et al. 1998; Boeri and Tabellini, 2005) find that attitudes towards economic policy issues deviate with a systematic bias from self-interest, i.e. the opinion whether a specific economic policy should be carried out is often not systematically related to egoistic motivations. Empirical studies for the U.S. (Walstad, 1997; Caplan, 2001, 2002, 2006) and for Germany (Heinemann et al., 2007) conclude that knowledge and ideology are of special relevance in explaining the bias, or are even the main determinants of opinion formation.

In a widely recognized recent paper, Blinder and Krueger (2004) use a specially designed telephone survey to address the problem of opinion formation on economic policy issues in the U.S. A main result of their study is that public opinion on the quality and adequacy of economic policies is mainly driven by ideological factors. With respect to policy issues like taxes, budget deficits, minimum wages, social security, and health insurance, ideology is the most consistently important determinant of individual preferences and policy acceptance, whereas objective measures of self-interest are the least important. Blinder and Krueger (2004) report that in many cases respondents in the telephone survey seem to have answered against their narrow self-interest, which is proxied by 'objective' variables, most notably household income.

Using data from the German General Social Survey, Heinemann et al. (2009) come to a somewhat different conclusion. The authors show that the individual assessment of labor-market reforms is strongly influenced by objective self-interest which is related to the respondents' income or employment status. Nevertheless, a person's labor market policy preferences are also influenced by their informative situation, and individual beliefs on the sources of economic success. Based on the same data set, Heinemann and Henninghausen (2010) find that individual attitudes toward progressive taxation are not only driven by the corresponding objective self-interest, but that fairness considerations play a major role in the formation of tax rate preferences.

Yet it is somewhat questionable whether narrow self-interest can really be measured objectively. What matters eventually is what people *believe* to be in their self-interest.

Economists have in mind a specific economic model on how certain individuals are affected by particular economic policies. In general there is no guarantee that an *economist's* view of the world is identical to what respondents think about the working properties of an economy. Most probably, this is not the case, as laymen usually have a different view of the world than economic experts (Caplan, 2001). If we want to know whether people systematically neglect their own self-interest in the process of opinion formation on economic policies in favor of an ideologically defined common good, we should have a *subjective measure of self-interest*. Put differently, in order to find out if narrow self-interest is really dominated by ideological convictions and ideas of 'the public good', it is important to know which policies people perceive to be in their self-interest or not. As ideology should serve as a simple rule-of-thumb in case of a lack of knowledge, people might express ideological preferences that appear to be against their self-interest from the view of economists. However, in their own view respondents might not be misguided, but instead express opinions on policy issues which they believe to be in their narrow interest. The main purpose of the present paper is to examine whether the often found dominance of ideological convictions survives if we measure self-interest more subjectively and directly.

The methodology of the present study closely follows Blinder and Krueger (2004). In autumn 2008 we carried out a telephone survey with 1.003 respondents all over Austria. The survey consisted of a series of questions about personal opinions on a variety of fiscal policy issues. Instead of asking only for certain 'objective' measures that appear to be related to egocentric policy preference formation, we additionally requested respondents to assess directly whether they expect to benefit or lose from certain economic and fiscal policy measures. Hence, we need not speculate about a respondent's economic view of the world and whether he/she deviates from narrow self-interest; we simply asked them. All in all, our results show that – in contrast to several other investigations – our subjectively measured narrow self-interest explains attitudes towards economic policies at least as good as ideological conviction.

The paper proceeds as follows. In section 2 we present a very short overview on the political and methodological background of the study and the telephone survey. Section 3 reports some descriptive statistics. In section 4 we present the main results of our logit-regressions and discuss them in the light of the two different approaches to opinion formation. Section 5 concludes.

II. METHODOLOGICAL BACKGROUND

In September 2008 we launched a telephone survey in Austria in order to replicate and verify the results of Blinder and Krueger (2004) that *"ideology seems to play a stronger role in shaping opinion on economic policy issues than either self-interest or knowledge"* for the case of Austria. We adapted a very similar methodology. In the present study we focus only on ideology and self-interest, leaving out economic knowledge as a possible determinant of

policy preference formation. 1,003 eligible Austrian voters were interviewed over the telephone. Fieldwork covered the last days of the campaign in federal elections for the Austrian National Council in 2008 and some of the first days after the elections.

A central topic discussed during the election campaign was whether and in which way a reform of the income tax should be put into practice.¹ The two parties which formed a grand coalition before (as well as after) the elections in principle agreed on the need for a personal income tax reform, and that the reduction should amount to approximately € 3 bn, i.e. about 1% of GDP (Statistik Austria, 2009). Although it was obvious that at least parts of the income tax reductions had to be financed by raising other taxes and/or by cutting expenditures in the federal budget, campaigning politicians' statements on financing the income tax reform were at best very ambiguous. Against this background we asked the participants of our survey which of the following ten policy measures would be appropriate for financing a reduction of the personal income tax²:

- Raising the VAT
- Raising the petroleum tax
- Raising corporate income taxes
- Raising environmental taxes on companies
- Impose a property or inheritance tax
- Raising the capital returns tax
- Increasing the public debt
- Cutting social security benefits
- Cutting subsidies for companies
- Cutting jobs in public administration

All in all, these are six different measures of current tax increases with differing distributive effects, three proposed measures of expenditure cuts and one measure (public debt) in which possible burdens are shifted into the future.

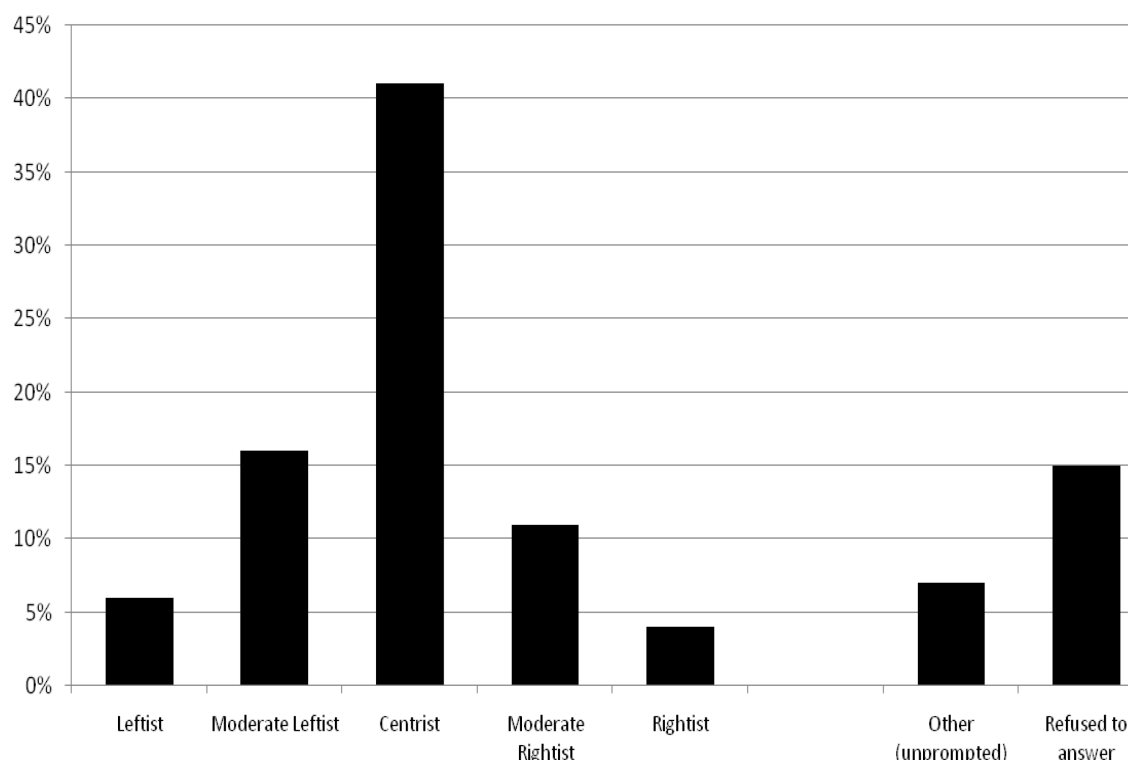
In stark contrast to Blinder and Krueger and other similar studies we did not only ask the respondents for socio-demographic characteristics, i.e. sex, age, occupation, personal income and education to assess whether they might be adversely affected by a certain policy measure, but also whether they believe that this particular measure would have an adverse impact on them. This survey design enables us to find out how the *perceived adverse impact of a policy measure* influences its acceptance among the public.

1. Note that in September 2008 there was still no open public debate about the potential consequences of the U.S. housing market and financial crisis on the Austrian economy.

2. To prevent order biases the sequence of categories was randomized.

To assess the effects of ideology on the acceptance of the proposed policy measures we asked our interviewees to assign their political position on a five point Left-to-Right-Scale (LRS). Alternately the respondents could also choose “other” if they did not think the proposed scale matched their ideological position, or “refuse to answer” (the two latter categories were asked unprompted). Figure 1 shows the distribution of respondents' answers along the Left-to-Right-Scale. As expected the by far largest group of people classifies itself as centrists, while the share of (moderate) leftists is larger than the share of (moderate) rightists.

Figure 1: Ideological self-assignment based on the Left-to-Right-Scale



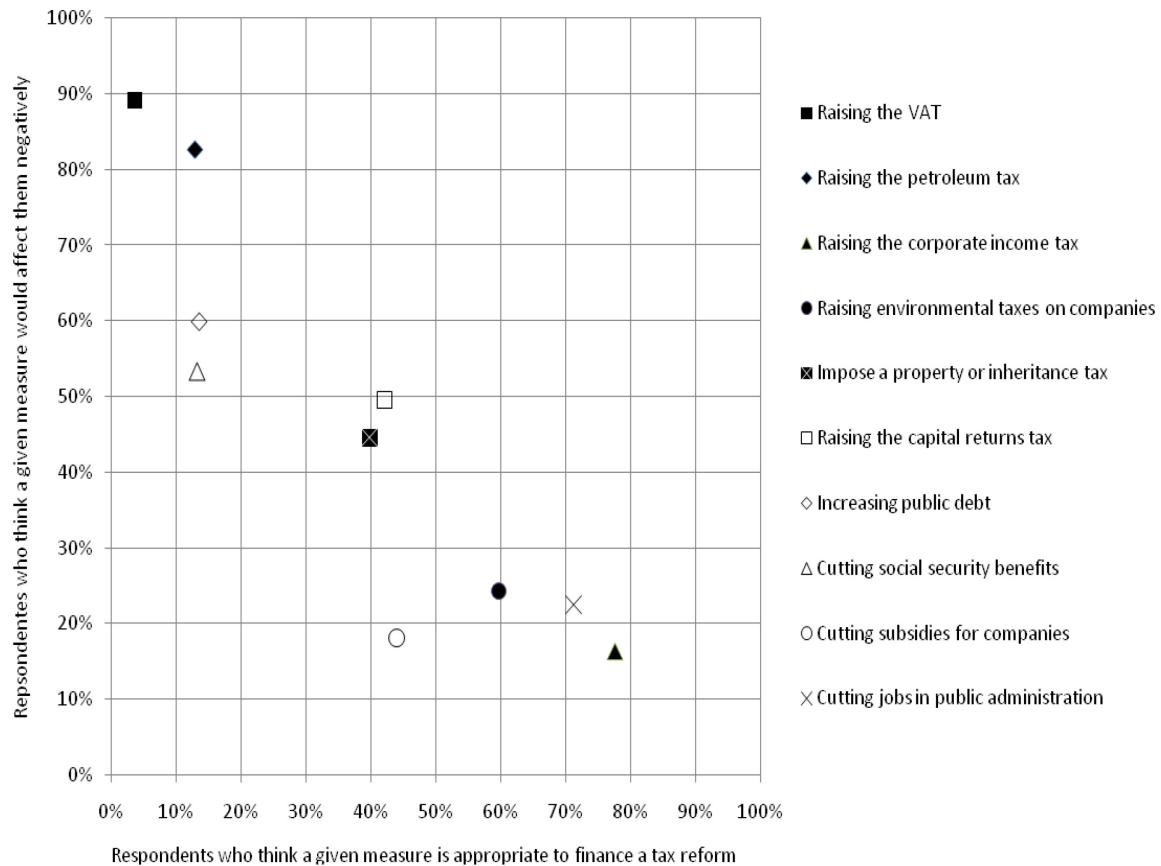
III. DESCRIPTIVE STATISTICS

3.1 Acceptance of measures and subjective ('perceived') self-interest

Descriptive analyses reveal a clear adverse correlation between the share of respondents who suppose a given policy measure is appropriate for financing a tax reform (acceptance) and the share of respondents who think this specific measure would have an adverse impact on them (Pearson's Correlation Coefficient = -0.89). In other words: the more people expect to be adversely affected by a certain measure, the fewer people tend to accept this measure (see Figure 2). The least popular measure is a VAT increase, which is opposed by almost 90% of respondents, followed by higher petroleum taxes. In contrast almost 80 % of the respondents think that raising corporate income taxes is an appropriate way to finance a

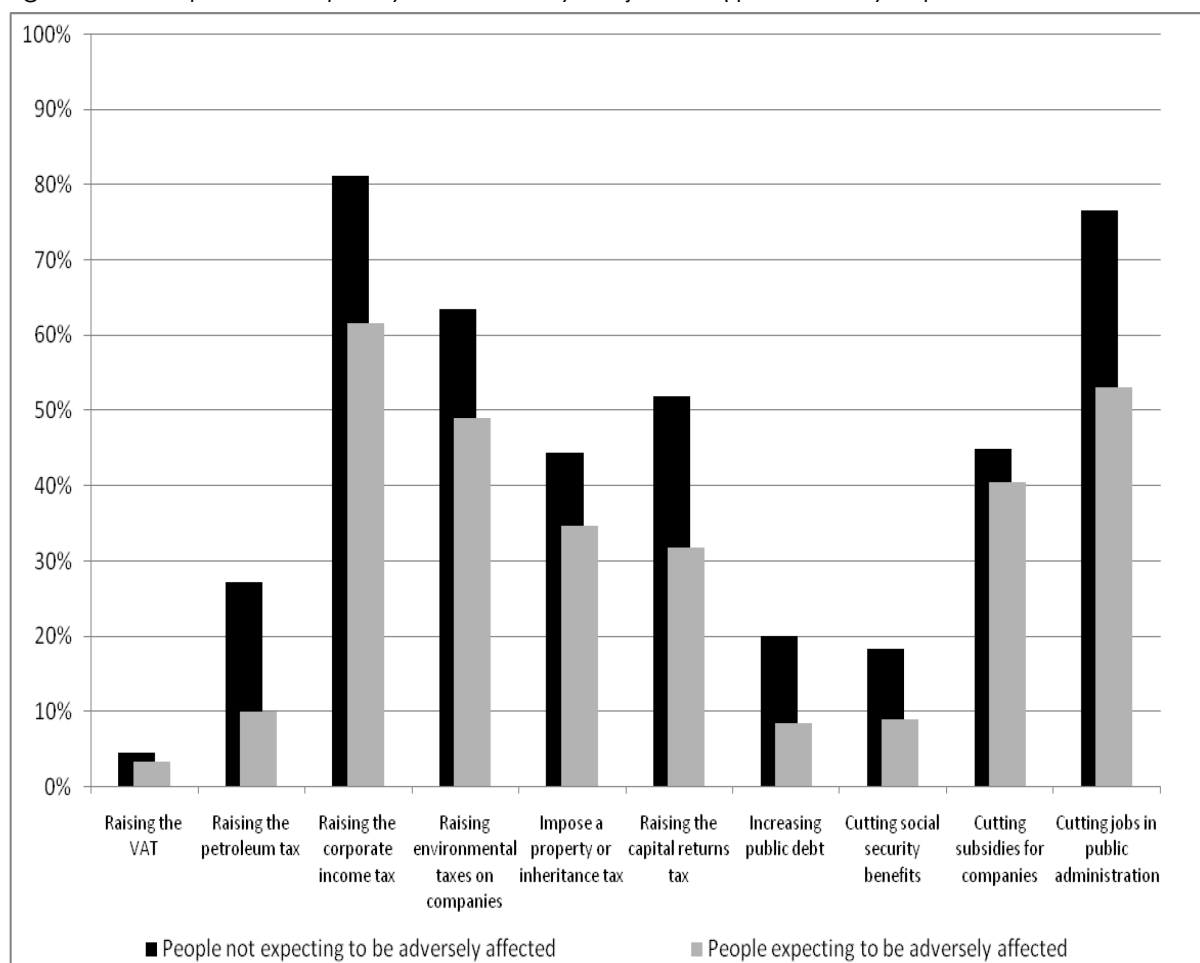
personal income tax reduction, and about 70% think that expenditure cuts by reducing jobs in public administration is an appropriate measure.

Figure 2: Acceptance of policy measures and average perceived personal impact



Remarkably this strong correlation does not simply imply that people who fear an adverse impact on themselves oppose a certain measure while people who do not feel affected are in favor of it. Figure 3 shows that the overall rates of acceptance show a similar pattern for both groups (Pearson's Correlation Coefficient = 0.97). If many people feel negatively affected only few support a given measure, even among those who do not expect an adverse impact and vice versa. However, in all cases persons who expect to be adversely affected are less likely to accept a certain measure than people who do not expect a negative impact. In eight out of ten cases the difference is significant ($p < 0.05$). Only "cutting subsidies for companies" and "raising the VAT" do not show significant differences. In the latter case this is probably due to the fact that almost nobody supports a higher VAT (4%), while a vast majority (89%) feels adversely affected by VAT increases so that there is hardly any room for a big differential among the groups.

Figure 3: Acceptance of policy measures by subjective ('perceived') impact



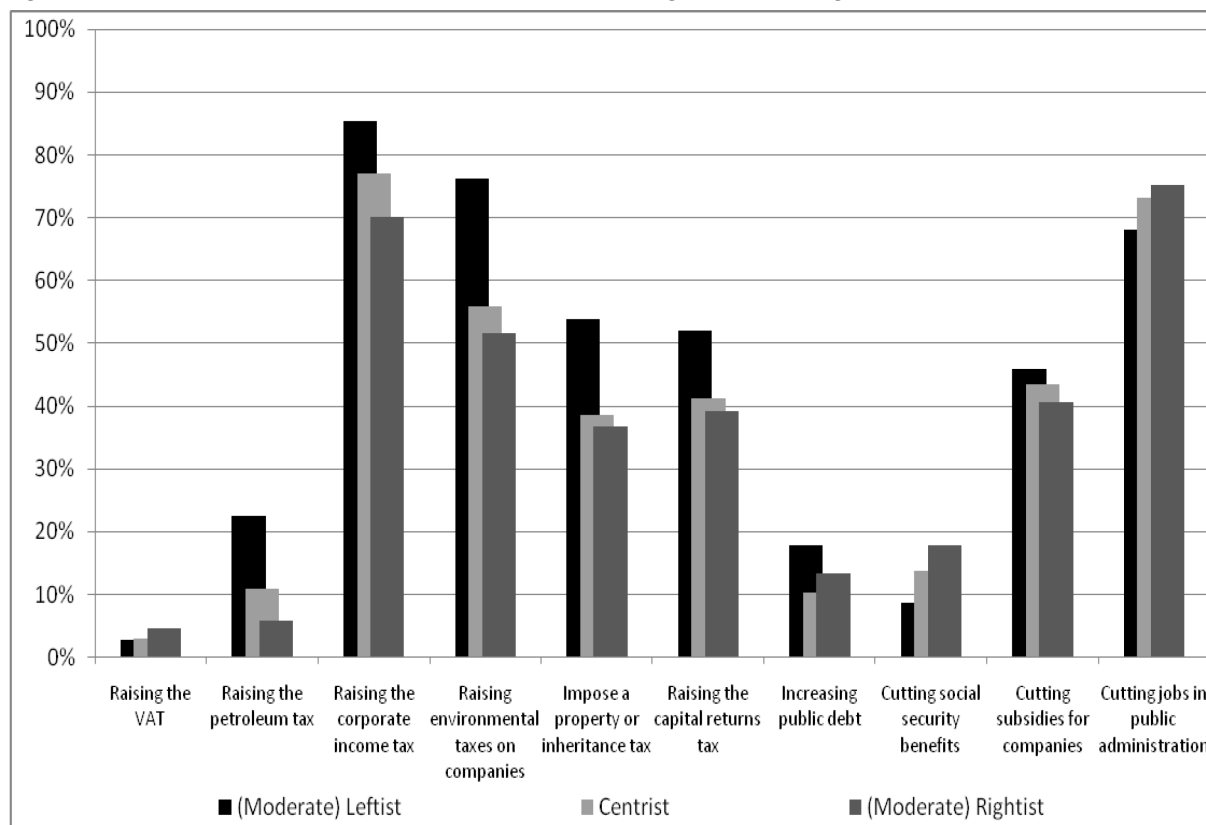
3.2 Acceptance of measures and ideological orientation

Looking at the rates of acceptance according to self-assessed ideological orientation based on the Left-to-Right-Scale³ we find a similar pattern. The rates of acceptance are highly correlated for all displayed groups (see Figure 4), while the differences between the ideological groups are significant for the same eight policy measures as above. However, there are also remarkable differences between the groups. While people who assign themselves to the political centre or to the right agree on average with 3.5 proposed measures and 3.4 measures respectively, leftists agree with 4.2 political measures (which is significantly more). Figure 4 also shows that people who declare themselves as standing politically more to the 'left' in general seem to prefer tax increases (except for VAT) as

3. For clarity the groups "left" and "moderately left" as well as "right" and "moderately right" were merged into the groups "(moderate) leftist" and "(moderate) rightist" respectively.

compared to people with a centrist or rightist ideological orientation. Moreover, center and right ideology appear to be very closely related with respect to most policy measures, while leftist ideology is much more distinct.

Figure 4: Acceptance of policy measures by ideological self-assignment



IV. RESULTS OF LOGIT REGRESSIONS

4.1 Model and basic results

To analyze more deeply the impact of perceived adverse impacts and ideological orientation on policy preference formation we ran a set of logit regressions to reveal the main drivers of acceptance of policy measures as a dependent variable. Acceptance or rejection of a policy measure by person j to finance a personal income tax reduction is modeled as:

$$accept_j = \beta_0 + \beta_1 SubjSelfInt_j + \beta_2 ObjSelfInt_j + \beta_3 ideology_j + \beta_4 controls_j + \varepsilon_j \quad (1)$$

We included the following possible determinants of acceptance into our models:

1. "Subjective" perceived self-interest (*SubjSelfInt*)
Expected adverse impact of the policy measure (dummy)
2. "Objective" self-interest (*ObjSelfInt*)
Occupation (set of dummies: employee in the private sector, employee in the public sector, self-employed, retired; reference group: others)
Personal net income (ordinal)
Living in a big city (100,000 inhabitants and more, dummy)
3. Ideology (*ideology*)
(Moderately) leftist (dummy)
4. Control variables
Sex (dummy)
Age (ordinal)
Educational level (ordinal)

With respect to the subjective self-interest dummy, we expect $\beta_1 < 0$ because we asked for an expected negative impact of all respective policy measures. If self-interest plays a role in forming individual attitudes towards certain policies, this should become evident in a significant negative coefficient β_1 .

Objective self-interest is measured by individual occupation and personal net income, as in other empirical investigations. Higher personal income is expected to be negatively related to the acceptance of property taxes and taxes on capital returns, while from a purely selfish motivation we would expect a better income situation to be positively related to the acceptance of cuts of social benefits. Being self-employed might be negatively related to subsidy reductions and to increasing profit taxes, while we should expect the self-employed to be less reluctant to cuts in social benefits and in public administration. We also expect civil servants (of course) to oppose cutting jobs in public administration, and private sector employees to be especially skeptical with respect to expenditure cuts for subsidies and social benefits, but less so with respect to job cuts in public administration. Furthermore, we add an indicator variable for "living in a big city", which might have an impact on the acceptance of environmental policies.

Finally, a more left-wing political orientation⁴ is supposed to be associated with increasing opposition against spending cuts, especially reductions of social welfare spending, which is

4. As the descriptive results showed clear differences between (moderate) leftists on the one hand and centrists and (moderate) rightists on the other hand, the ordinary left-to-right-scale has been re-coded into a dummy variable indicating whether a respondent declared herself as (moderately) left or not. Respondents who did not assign themselves to the left-to-right-scale (i.e. refused to answer or answered that the categories appropriate for them) were omitted from further analyses.

clearly against the intentions of the left-wing clientele. Left ideology should also be related positively to higher property taxes, capital taxes (corporate income and capital returns) and, probably, environmental taxes.⁵

Table 1 displays the results of our basic regressions for each of the ten proposed policy measures, employing all explanatory variables at once (full specification). According to the performed specification tests, only seven of the ten models tested are properly specified, while for three models the chosen predictors are not meaningful, i.e. the models (1) VAT increases, (7) increasing public debt and (9) cutting subsidies fail in explaining the differences in the acceptance of the respective policy measures. The remaining seven models yield a Pseudo-R² ranging from 0.16 (model (2)) to rather limited Pseudo-R² of 0.03 in model (5).

In our baseline estimates we find that perceived adverse personal consequences of a policy measure have a significant impact on the acceptance of this measure in eight out of 10 models (at the 1%-level, see Table 1). The sign of the coefficient is as expected negative in all cases, i.e. acceptance of a policy measure is systematically lower among persons who expect to be adversely affected individually. Perceived self-interest hence plays a remarkable role in forming personal opinions on policy measures.

5. Of course several of these variables are correlated. E.g., our survey shows that the higher the degree of education, the higher is the probability of adhering to a more left-wing ideology. However, tests of collinearity did not give any reason for concern. Interaction terms were not implemented given the methodological problems that their use causes in logit-models (see Ai and Norton, 2003).

Table 1: Acceptance of policy measures by several determinants (logit models, full specification)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
VAT		Petroleum Tax	Corporate Income Tax	Environm. Tax	Property Tax	Capital Income Tax	Public Debt	Social Benefits	Subsidies	Public Administr.
Expected negative impact	-0.791 (0.149)	-1.511 (0.000)***	-0.988 (0.000)***	-0.548 (0.004)***	-0.373 (0.018)**	-0.914 (0.000)***	-0.936 (0.000)***	-0.918 (0.000)***	0.007 (0.975)	-0.967 (0.000)***
Occupation:										
Private Sector	-0.552 (0.418)	-0.375 (0.327)	0.101 (0.741)	-0.081 (0.779)	0.400 (0.126)	0.523 (0.056)*	0.181 (0.624)	0.168 (0.665)	-0.320 (0.228)	0.247 (0.386)
Public sector	-0.517 (0.584)	0.407 (0.370)	1.543 (0.004)***	0.080 (0.831)	0.735 (0.031)**	0.547 (0.117)	-0.381 (0.471)	-0.441 (0.431)	-0.493 (0.156)	-0.533 (0.143)
Self-employed	-0.549 (0.562)	0.195 (0.697)	-0.439 (0.271)	-0.441 (0.244)	0.037 (0.918)	-0.145 (0.689)	-0.439 (0.432)	0.693 (0.144)	-0.628 (0.082)*	0.796 (0.069)*
Retired	0.853 (0.421)	-0.212 (0.700)	-0.032 (0.938)	0.343 (0.327)	0.340 (0.307)	-0.146 (0.671)	-0.066 (0.897)	-0.017 (0.974)	-0.503 (0.142)	-0.030 (0.937)
Net Income	-0.254 (0.267)	-0.137 (0.272)	0.075 (0.444)	-0.084 (0.330)	-0.068 (0.403)	-0.143 (0.096)*	-0.018 (0.877)	-0.183 (0.138)	0.113 (0.169)	0.042 (0.657)
Big City	0.366 (0.420)	0.380 (0.146)	0.003 (0.989)	0.519 (0.009)***	-0.070 (0.696)	0.358 (0.052)*	0.108 (0.681)	-0.059 (0.828)	-0.011 (0.950)	-0.498 (0.012)**
Male	1.724 (0.002)***	0.256 (0.324)	0.029 (0.894)	-0.098 (0.597)	0.261 (0.129)	0.297 (0.095)*	-0.078 (0.761)	0.472 (0.074)*	0.182 (0.301)	0.347 (0.078)*
Age	-0.402 (0.077)*	-0.307 (0.008)***	0.069 (0.444)	-0.321 (0.000)***	-0.032 (0.672)	0.079 (0.313)	-0.107 (0.332)	-0.145 (0.182)	0.112 (0.150)	0.240 (0.005)***
Education	0.374 (0.041)**	0.234 (0.018)**	-0.191 (0.020)**	0.071 (0.314)	0.138 (0.035)**	0.029 (0.666)	0.038 (0.693)	-0.002 (0.987)	-0.039 (0.561)	0.145 (0.051)*
Leftist	-0.547 (0.284)	0.720 (0.004)***	0.645 (0.007)***	0.784 (0.000)***	0.525 (0.002)***	0.384 (0.033)**	0.420 (0.094)*	-0.541 (0.065)*	0.175 (0.325)	-0.237 (0.226)
share acceptance	0.03	0.13	0.16	0.62	0.43	0.44	0.13	0.13	0.44	0.71
share neg. impact	0.89	0.83	0.78	0.24	0.46	0.48	0.60	0.54	0.17	0.21
Observations	729	731	683	687	716	700	696	721	662	708
Pseudo R2	0.136	0.163	0.071	0.082	0.033	0.060	0.051	0.070	0.010	0.083

* significant at 10%; ** significant at 5%; *** significant at 1%, P-values in parentheses; Expected negative impact of measure: 0 = No, 1 = Yes; Constant omitted. Personal monthly net income: 1 = none, 2 = Up to 1000 €, 3 = 1001 to 1500 €, 4 = 1501 to 2000 €, 5 = 2001 to 2500 €, 6 = 2501 to 3000 €, 7 = More than 3000 €; Age: 1 = 16 to 25 years, 2 = 26 to 35 years, 3 = 36 to 45 years, 4 = 46 to 55 years, 5 = 56 to 65 years, 6 = 65 years and older
Educational level: 1 = Compulsory education attendance, 2 = Apprenticeship, 3 = Vocational school, 4 = Abitur (British A-Level), 5 = University level

Personal net income, which is regularly used to proxy self-interest in empirical investigations, is insignificant at conventional levels in all models, except for capital income increases. From an egoistic model of opinion formation, we have expected at least that a higher net income is associated with an increasing probability of acceptance of cuts in social benefits (8) and opposition to property tax increases. With respect to occupation/profession as a determinant of objective self-interest, we find that public sector employees support corporate income tax and property tax increases to a higher degree than other groups of persons. Somewhat surprisingly they do not oppose job cuts in the public sector more often than other vocational groups at a conventional level of significance. Yet, this seemingly paradox result is owed to the inclusion of the perceived subjective self-interest variable. Further investigations in the next sub-section show the expected highly significant negative attitude of public sector employee to job cuts in public administration when political ideology or subjective self-interest are omitted from the set of explanatory variables.

People living in big cities (> 100.000 inhabitants) have a lower probability of accepting job cuts in the public sector than people from less urban areas. We suppose that this results from the large number of public sector employees living in capital cities where most of the workplaces in public administrations are located.⁶

Political ideology plays a significant role in seven models. As expected, ideological left-wingers are systematically likelier to accept tax increases as policy measures than self-declared political right-wingers and centrists, even when we control for objective and subjective self-interest as well as for other further socio-economic variables. Preferences for higher taxes are especially pronounced for the petroleum tax and environmental taxes, as well as for the corporate income tax. As expected, left-wingers are also more dismissive towards cutting social security benefits. Hence, both perceived subjective self-interest and ideological orientation appear to affect individual attitudes towards proposed policy measures, while seemingly objective measures for self-interest are not too convincing.

4.2 Alternative specifications

To get a picture on how subjective and objective self-interest and ideology mutually impair each other we ran alternative specifications of the models introduced above. When omitting the subjective self-interest some indicators of objective self-interest become more important in explaining the acceptance of policy measures (see Table 2). The number of significant

6. Remarkably, the share of opponents of higher petroleum taxes rises with the respondents' age. This is counterintuitive as older people (above 65) are less likely to have access to cars (*Herry and Sammer, 1998*) should therefore be less prone to increased petroleum taxes. Consistently they also feel adversely affected by higher petroleum taxes to a lesser extent than younger peer groups. We guess this contradiction between the low rate of adverse consequences and the high rate of refuse reflects differences in the valuation of private transport among different peer groups and might therefore indicate that ideological positions beyond political attribution might play a significant role in the opinion formation.

cases of objective self-interest jumps from 9 to 14 out of 60 possible cases (6 variables x 10 models). The indicator variable for public sector employees, for example, now clearly shows that they are less likely to accept job cuts in the administration than other occupational groups, while the self-employed are more in favor of lowering social security benefits than others. Subjective ("perceived") self-interest of course corresponds in some cases to people's objective self-interest. Yet, the overall performance of the explanatory variables that try to capture self-interest objectively is not very strong.

The ideology variable behaves almost as in the full specification models when perceived self-interest is omitted. While the coefficients and the significance levels increase slightly, we cannot find any substantial change compared to the base line regressions. Again, our results show that ideological left-wingers are more supportive of tax increases (except for the VAT) and oppose cuts of social benefits more often than centrists and rightists.

Omitting our ideology dummy (see table 3) increases the number of observations significantly, as many people refused or were unable to assign themselves to an ideological position. Throughout all regressions, the impact of perceived self-interest on acceptance again shows the expected negative sign, which is statistically significant at a 1%-level in 8 out of 10 cases.

While this modification does not change the impact of perceived self-interest, it raises the number of cases where objective measures of self-interest have a significant impact on the acceptance of policy measures from 9 to 13 out of 60 possible cases, indicating that ideological positions interact as closely with objective measures of self-interest as subjective measures do. These results are in line with Downs' (1957) thesis that party ideologies serve as a (incomplete) substitute for the individual cost of acquiring political and economic information. Moreover, our results show that perceived self-interest still dominates the set of variables that try to capture self-interest objectively. This is not too surprising if we consider that self-interest is, by definition, "individual".

Table 2: Acceptance of policy measures by several determinants (logit models without 'subjective' self-interest)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
VAT		Petroleum Tax	Corporate Income Tax	Environm. Tax	Property Tax	Capital Income Tax	Public Debt	Social Benefits	Subsidies	Public Administr.
Occupation:										
Private Sector-0.568		-0.360	0.196	-0.094	0.376	0.523	0.339	0.243	-0.326	0.298
(0.409)		(0.326)	(0.511)	(0.741)	(0.148)	(0.046)**	(0.348)	(0.519)	(0.215)	(0.284)
Public sector-0.526		0.304	1.702	0.043	0.731	0.467	-0.229	-0.248	-0.505	-0.765
(0.575)		(0.488)	(0.002)***	(0.905)	(0.031)**	(0.168)	(0.649)	(0.651)	(0.143)	(0.030)**
Self-employed-0.557		0.101	-0.393	-0.657	0.010	-0.016	-0.324	0.900	-0.669	0.835
(0.557)		(0.834)	(0.309)	(0.073)*	(0.977)	(0.962)	(0.557)	(0.050)*	(0.062)*	(0.053)*
Retired0.885		-0.008	0.168	0.249	0.309	-0.114	0.200	0.248	-0.536	0.021
(0.396)		(0.988)	(0.668)	(0.469)	(0.350)	(0.731)	(0.684)	(0.627)	(0.114)	(0.955)
Net Income		-0.252	0.035	-0.069	-0.081	-0.184	-0.007	-0.142	0.125	0.069
(0.280)		(0.091)*	(0.717)	(0.410)	(0.318)	(0.027)**	(0.956)	(0.240)	(0.129)	(0.462)
Big City		0.405	-0.020	0.495	-0.045	0.386	0.085	0.068	-0.008	-0.579
(0.371)		(0.005)***	(0.927)	(0.010)**	(0.801)	(0.031)**	(0.736)	(0.798)	(0.964)	(0.003)***
Male		1.781	0.336	-0.078	0.271	0.282	-0.200	0.469	0.173	0.359
(0.001)***		(0.184)	(0.999)	(0.666)	(0.112)	(0.103)	(0.417)	(0.067)*	(0.325)	(0.062)*
Age		-0.385	0.045	-0.298	-0.015	0.087	-0.135	-0.152	0.123	0.214
(0.086)*		(0.017)**	(0.608)	(0.000)***	(0.842)	(0.245)	(0.216)	(0.165)	(0.110)	(0.010)**
Education		0.359	-0.173	0.055	0.128	-0.005	0.012	-0.001	-0.051	0.139
(0.049)**		(0.013)**	(0.031)**	(0.429)	(0.049)**	(0.939)	(0.899)	(0.992)	(0.449)	(0.055)*
Leftist		-0.527	0.718	0.830	0.542	0.426	0.520	-0.597	0.177	-0.199
(0.295)		(0.001)***	(0.002)***	(0.000)***	(0.002)***	(0.015)**	(0.028)**	(0.039)**	(0.315)	(0.297)
Observations	729	732	691	705	721	708	722	729	669	719
Pseudo R2	0.127	0.115	0.046	0.072	0.026	0.025	0.024	0.040	0.011	0.058

* significant at 10%; ** significant at 5%; *** significant at 1%, P-values in parentheses; Expected negative impact of measure: 0 = No, 1 = Yes; Constant omitted. Personal monthly net income: 1 = none, 2 = Up to 1000 €, 3 = 1001 to 1500 €, 4 = 1501 to 2000 €, 5 = 2001 to 2500 €, 6 = 2501 to 3000 €, 7 = More than 3000 €; Age: 1 = 16 to 25 years, 2 = 26 to 35 years, 3 = 36 to 45 years, 4 = 46 to 55 years, 5 = 56 to 65 years, 6 = 65 years and older
Educational level: 1 = Compulsory education attendance, 2 = Apprenticeship, 3 = Vocational school, 4 = Abitur (British A-Level), 5 = University level

Table 3: Acceptance of policy measures by several determinants (logit models without ideological orientation)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	VAT	Petroleum Tax	Corporate Income Tax	Environm. Tax	Property Tax	Capital Income Tax	Public Debt	Social Benefits	Subsidies	Public Administr.
Expected negative impact	-0.475 (0.365)	-1.584 (0.000)***	-0.970 (0.000)***	-0.595 (0.000)***	-0.400 (0.005)***	-0.895 (0.000)***	-1.023 (0.000)***	-0.895 (0.000)***	-0.136 (0.470)	-0.985 (0.000)***
Occupation:										
Private Sector	-0.976 (0.102)	-0.564 (0.094)*	0.000 (0.999)	-0.182 (0.473)	0.397 (0.090)*	0.437 (0.074)*	0.459 (0.170)	0.278 (0.414)	-0.225 (0.345)	0.044 (0.862)
Public sector	-0.836 (0.281)	0.097 (0.806)	1.016 (0.018)**	0.117 (0.719)	0.512 (0.084)*	0.546 (0.076)*	-0.077 (0.864)	-0.845 (0.110)	-0.462 (0.129)	-0.663 (0.038)**
Self-employed	-1.105 (0.207)	-0.143 (0.748)	-0.634 (0.074)*	-0.362 (0.280)	-0.019 (0.952)	-0.025 (0.939)	-0.150 (0.761)	0.644 (0.122)	-0.459 (0.155)	0.791 (0.049)**
Retired	0.212 (0.803)	-0.388 (0.414)	-0.177 (0.623)	0.244 (0.426)	0.228 (0.440)	-0.267 (0.385)	0.028 (0.951)	-0.102 (0.819)	-0.443 (0.143)	-0.166 (0.618)
Net Income	-0.070 (0.713)	-0.063 (0.562)	0.071 (0.419)	-0.072 (0.351)	-0.052 (0.477)	-0.119 (0.121)	-0.039 (0.715)	-0.110 (0.316)	0.125 (0.096)*	0.090 (0.294)
Big City	0.172 (0.669)	0.365 (0.117)	-0.009 (0.964)	0.598 (0.001)***	0.085 (0.591)	0.281 (0.085)*	0.106 (0.648)	-0.272 (0.269)	0.148 (0.362)	-0.483 (0.006)***
Male	1.408 (0.002)***	0.510 (0.026)**	0.104 (0.578)	-0.098 (0.539)	0.181 (0.233)	0.282 (0.072)*	-0.126 (0.574)	0.457 (0.046)**	0.059 (0.705)	0.252 (0.146)
Age	-0.260 (0.173)	-0.305 (0.003)***	0.067 (0.410)	-0.305 (0.000)***	-0.038 (0.568)	0.126 (0.069)*	-0.112 (0.248)	-0.086 (0.371)	0.075 (0.282)	0.229 (0.003)***
Education	0.346 (0.030)**	0.260 (0.003)***	-0.151 (0.038)**	0.108 (0.081)*	0.162 (0.006)***	0.073 (0.229)	0.077 (0.368)	0.007 (0.939)	-0.058 (0.334)	0.112 (0.089)*
Observations	924	925	847	862	899	873	874	909	824	884
Pseudo-R2	0.104	0.139	0.049	0.060	0.022	0.048	0.055	0.063	0.007	0.078

* significant at 10%; ** significant at 5%; *** significant at 1%, P-values in parentheses; Expected negative impact of measure: 0 = No, 1 = Yes; Constant omitted. Personal monthly net income: 1 = none, 2 = Up to 1000 €, 3 = 1001 to 1500 €, 4 = 1501 to 2000 €, 5 = 2001 to 2500 €, 6 = 2501 to 3000 €, 7 = More than 3000 €; Age: 1 = 16 to 25 years, 2 = 26 to 35 years, 3 = 36 to 45 years, 4 = 46 to 55 years, 5 = 56 to 65 years, 6 = 65 years and older
Educational level: 1 = Compulsory education attendance, 2 = Apprenticeship, 3 = Vocational school, 4 = Abitur (British A-Level), 5 = University level

Table 4: Acceptance of policy measures by several determinants (logit models without 'objective' self interest)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	VAT	Petroleum Tax	Corporate Income Tax	Environm. Tax	Property Tax	Capital Income Tax	Public Debt	Social Benefits	Subsidies	Public Administr.
Expected negative impact	-0.935 (0.083)*	-1.537 (0.000)***	-1.045 (0.000)***	-0.577 (0.002)***	-0.385 (0.012)**	-0.905 (0.000)***	-0.979 (0.000)***	-0.892 (0.000)***	-0.029 (0.888)	-1.097 (0.000)***
Male	1.339 (0.009)***	0.064 (0.783)	0.105 (0.578)	-0.240 (0.139)	0.206 (0.178)	0.149 (0.337)	-0.083 (0.716)	0.397 (0.082)*	0.239 (0.126)	0.419 (0.016)**
Age	-0.273 (0.039)**	-0.351 (0.000)***	0.037 (0.524)	-0.240 (0.000)***	-0.026 (0.588)	-0.032 (0.517)	-0.126 (0.070)*	-0.177 (0.010)**	0.076 (0.122)	0.217 (0.000)***
Education	0.278 (0.100)*	0.260 (0.004)***	-0.131 (0.069)*	0.072 (0.240)	0.114 (0.049)**	0.036 (0.542)	0.001 (0.994)	-0.048 (0.572)	-0.013 (0.832)	0.131 (0.048)**
Leftist	-0.433 (0.383)	0.700 (0.003)***	0.656 (0.004)***	0.849 (0.000)***	0.594 (0.000)***	0.428 (0.013)**	0.446 (0.065)*	-0.574 (0.038)**	0.176 (0.303)	-0.317 (0.095)*
Observations	761	763	714	719	748	728	724	753	693	736
Pseudo R2	0.092	0.141	0.048	0.066	0.028	0.044	0.045	0.055	0.006	0.063

* significant at 10%; ** significant at 5%; *** significant at 1%; P-values in parentheses; Expected negative impact of measure: 0 = No, 1 = Yes; Constant omitted. Age: 1 = 16 to 25 years, 2 = 26 to 35 years, 3 = 36 to 45 years, 4 = 46 to 55 years, 5 = 56 to 65 years, 6 = 65 years and older
Educational level: 1 = Compulsory education attendance, 2 = Apprenticeship, 3 = Vocational school, 4 = Abitur (British A-Level), 5 = University level

Removing the objective measures of self-interest leaves the impact of perceived self-interest on the acceptance of policy measures unchanged (Table 4). In 9 out of 10 equations, the expected negative personal effect of a policy change also has a significant negative impact on the acceptance of the respective policy measure. Leftist ideology is associated with higher preferences for tax increases and with a refusal of cutting social benefits and jobs in public administration. In 8 cases subjective self-interest and political ideology are both statistically significant. Hence, we do not have any indications that ideological orientation dominates self-interest as long as the latter is measured by subjective perceptions.

Summing up our results, people who subjectively expect adverse effects of a certain policy measure on themselves are in almost all cases less likely to assent to this specific measure. Subjective (perceived) self-interest therefore turns out to be a valid and robust predictor of the acceptance or a refusal of certain policy measures. Almost the same holds true for ideology. Leftists are, as expected, clearly in favor of tax increases compared to centrists and rightists and are always more reluctant to cuts in public social spending.

4.3 Ideology and perceived adverse affection

A central question, then, is which factors determine the subjective perception of self-interest. We do not know what kind of economic model people have in mind when forming individual policy preferences. On the one hand, for some policies there is a strong connection between subjective and objective measures of self-interest. This is most clearly for public sector employees in case of job reductions in public administration, where objective and subjective self-interest coincides almost perfectly. On the other hand, there are models where such a direct connection is not that obvious. In these cases perceived self-interest might be influenced by ideological convictions. Hence, to complete the picture and to find out whether ideology has an impact on the expectations of adverse impacts stemming from policy measures we ran a further set of logit regressions, with our measure of subjective self-interest as the dependent variable.

In principle, we should not expect ideological convictions to have a significant impact on a respondent's perception of the consequences of specific policy measures: whether an action does affect a person adversely is not a question of ideology or political belief. Nevertheless, opinion formation depends on individual views of the world and is therefore often influenced by underlying beliefs (Caplan, 2006). Our results presented above indicate at least some interaction of ideology and (perceived) self-interest.

We find several variables that proxy objective self-interest to determine subject self-interest in most cases. Generally the coefficients' signs are headed in the expected direction. Still, it is astonishing that the self-employed feel less affected by increasing the capital returns tax than other groups and that pensioners suppose to be less prone to cuts of social security benefits than other occupational groups as their (main) income, namely pensions, fall under the heading of social benefits. Yet, we cannot exclude that the pensioners do not identify received pension payments as a social transfer. On the other hand, that the pensioners do

not feel subjectively affected by increasing public debt appears to be perfectly rational, as they will not bear the burden of debt repayment.

Occupation appears to play a role for subjective self-interest in a number of cases, while net income fails in most models. Public sector employees expect to feel unaffected by profit tax increases, environmental taxes, and by cuts of subsidies and social benefits, but they anticipate clearly that cuts in public administration will have negative consequences for them.

Table 5: Determinants of subjective ('perceived') consequences of policy measures (logit-models)

negatively affect by: VAT	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		Petroleum Tax	Corporate Income Tax	Environm. Tax	Property Tax	Capital Income Tax	Public Debt	Social Benefits	Subsidies	Public Administr.
Occupation:										
Private Sector	0.219 (0.649)	0.171 (0.646)	-0.521 (0.120)	0.042 (0.888)	-0.117 (0.643)	-0.368 (0.150)	-0.281 (0.283)	-0.404 (0.128)	-0.268 (0.404)	-0.204 (0.510)
Public sector	0.147 (0.814)	0.486 (0.364)	-0.991 (0.034)**	-0.905 (0.050)*	-0.186 (0.567)	0.103 (0.755)	0.129 (0.710)	-0.817 (0.014)**	-1.876 (0.004)***	1.264 (0.000)***
Self-employed	-0.366 (0.513)	0.456 (0.403)	-0.144 (0.732)	0.943 (0.012)**	0.220 (0.515)	-0.744 (0.031)**	-0.314 (0.371)	-1.270 (0.000)***	0.779 (0.051)*	-0.196 (0.650)
Retired	-0.410 (0.455)	-0.618 (0.156)	-0.783 (0.071)*	0.141 (0.713)	-0.046 (0.886)	-0.326 (0.313)	-0.800 (0.016)**	-1.037 (0.002)***	-0.615 (0.167)	-0.281 (0.460)
Net Income	-0.023 (0.863)	0.291 (0.017)**	0.223 (0.026)**	0.011 (0.907)	0.088 (0.267)	0.207 (0.010)**	0.019 (0.816)	-0.108 (0.176)	0.029 (0.783)	-0.107 (0.283)
Big City	-0.580 (0.029)**	-1.052 (0.000)***	0.123 (0.606)	-0.089 (0.672)	-0.195 (0.263)	-0.132 (0.451)	0.076 (0.669)	-0.262 (0.136)	-0.268 (0.302)	0.267 (0.201)
Male	-0.443 (0.103)	-0.079 (0.731)	0.167 (0.466)	0.000 (0.999)	-0.352 (0.036)**	0.017 (0.920)	0.065 (0.702)	-0.130 (0.442)	-0.157 (0.506)	-0.287 (0.165)
Age	-0.137 (0.283)	-0.154 (0.137)	0.002 (0.980)	-0.069 (0.419)	-0.130 (0.070)*	-0.065 (0.377)	0.097 (0.191)	0.034 (0.655)	-0.135 (0.165)	0.056 (0.515)
Education	0.211 (0.047)**	-0.009 (0.922)	0.008 (0.927)	-0.002 (0.980)	0.127 (0.045)**	0.122 (0.057)*	0.066 (0.309)	0.001 (0.989)	0.002 (0.984)	-0.008 (0.917)
Leftist	0.243 (0.407)	-0.573 (0.010)**	-0.597 (0.021)**	-0.492 (0.023)**	-0.213 (0.214)	-0.318 (0.066)*	-0.079 (0.656)	0.302 (0.084)*	-0.715 (0.008)***	-0.154 (0.466)
Constant	2.660 (0.000)***	2.116 (0.000)***	-1.873 (0.000)***	-0.858 (0.026)**	0.025 (0.939)	-0.410 (0.221)	0.113 (0.737)	1.065 (0.002)***	-0.679 (0.115)	-1.052 (0.008)***
Observations	741	742	726	720	737	729	713	734	728	729
Pseudo R2	0.058	0.111	0.033	0.034	0.020	0.029	0.014	0.044	0.078	0.045

* significant at 10%; ** significant at 5%; *** significant at 1%, P-values in parentheses; Expected negative impact of measure: 0 = No, 1 = Yes; Personal monthly net income: 1 = none, 2 = Up to 1000 €, 3 = 1001 to 1500 €, 4 = 1501 to 2000 €, 5 = 2001 to 2500 €, 6 = 2501 to 3000 €, 7 = More than 3000 €; Age: 1 = 16 to 25 years, 2 = 26 to 35 years, 3 = 36 to 45 years, 4 = 46 to 55 years, 5 = 56 to 65 years, 6 = 65 years and older

Educational level: 1 = Compulsory education attendance, 2 = Apprenticeship, 3 = Vocational school, 4 = Abitur (British A-Level), 5 = University level

Ideology is a significant predictor in six out of ten models. Left-wingers less likely believe to be affected negatively by increases of petroleum, corporate income and environmental taxes, as well as by increasing the capital income tax than centrists and rightists. They also have a lower probability of expecting individually negative consequences from subsidy cuts, while in contrast feeling more prone to cuts in social benefits. This suggests that the political orientation might at least in some cases influence the perception of political measures. However, we cannot reject the possibility that ideology only proxies other factors determining objective interests that are not operationalized in our models.

V. CONCLUSIONS

The formation of individual policy preferences and voter attitudes towards specific policy measures is still an unresolved puzzle in Public Choice. While in the Downsian tradition individual self-interest is a dominating factor, other approaches stress the role of ideas and ideological conviction. A number of recent empirical studies even arrive at the conclusion that "ideology seems to play a stronger role in shaping opinion on economic policy issues than either self-interest or knowledge" (Blinder and Krueger, 2004).

What is, however, debatable in some studies is the operationalization of individual self-interest by a number of "objective" indicators. In our view, what should matter eventually is what people *believe* to be in their self-interest. As we want to know whether people systematically neglect their own self-interest in the process of opinion formation on economic policies in favor of an ideologically defined common good, we should have a *subjective measure of self-interest*. The purpose of the paper was to examine whether the often found dominance of ideological convictions survives if we measure self-interest more subjectively and directly.

Following Blinder and Krueger (2004) we conducted a survey among 1.003 eligible Austrian voters in order to test whether the finding that ideology is a more powerful predictor of individual attitudes towards policy measures than self-interest holds when an alternative concept of subjective self-interest is used. To assess the perceived impact of a proposed policy we asked respondents if they think that a particular policy measure would have an adverse impact on them. This also excludes a further problem. One of the major concerns of opinion polls is the neglect of opportunity cost. Questions like "do you want personal income taxes to be cut" seldom receive a negative vote. Only when respondents are confronted with costs and consequences (lower public spending or increased other taxes) the question becomes economically relevant. Hence, we asked the participants of our survey which of 10 different policy measures would be appropriate for financing a reduction of the personal income tax.

Our findings suggest that perceived self-interest – in our case the expectation of personally adverse consequences of a proposed policy measure – is at least as important for the acceptance of policy measures as ideological conviction. People who expect to face adverse consequences of a policy are less likely to find this measure appropriate. Moreover,

our results do not support the view that ideology dominates narrow self-interest if it is measured subjectively. On the contrary, our estimates indicate that subjective, perceived self-interest is a stable factor in opinion formation while the influence of ideology is vastly dependent on the nature of the tested policy measure (tax raises vs. spending cuts). In particular, people who claim to be (moderate) leftists are more likely to accept tax raises as policy measures than centrists and (moderate) rightists and are less likely to agree with cutting social security benefits.

Subjective self-interest and ideology contribute to the acceptance of several policies in parallel, therefore not substituting each other. However, subjective self-interest and ideology both substitute objective measures of self-interest to a certain degree. This addresses the question whether and to which extent (political) ideology is the laymen's shortcut to political opinion formation, not because of some normative view of the world, but because ideology shapes the positive view of how the economy works (Caplan, 2006). Subjective and objective self-interest as well as ideology only explain a small part of the formation of public opinions. For example 80% of those not feeling adversely affected by that specific measure think that raising profit taxes on corporations is an appropriate policy for financing a reform of the income tax, while still 60% among those who feel adversely affected agree with this measure. This of course raises the question on what determines the opinion formation of those 60%, and how the relevant determinants can be measured.

An often heard objection is that in interviews individuals can easily express high preferences for an economic policy although they know that this policy will reduce their own well-being or income. Hence, doubts have been raised about whether the questions commonly asked in opinion polls show true preferences. This is certainly correct, but it does not invalidate our results. Taking part in a public opinion survey is comparable to the act of voting. In either case, individual action does not have individual consequences. Hence, both are certainly situations in which it is not individually costly to express socially desired or ideological preferences. Nevertheless, in contrast to other investigations, our results suggest that appropriately measured individual self-interest still plays a major role in forming personal policy preferences.

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