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Luxembourg Income Study Working Paper Series

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**Founding the Welfare State: Comparative Public Opinion
on Taxes and Distribution of Income**

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**Founding the Welfare State:
Comparative Public Opinion on Taxes and Redistribution of Income**

by

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Abstract

This paper explores cross-national public perceptions and beliefs about taxes and redistribution of income. Our main concern is whether the welfare regimes and the national tax policies can explain attitudinal variance. Despite our larger database and somewhat different measures, our study array neatly in the line of research, which are not able to declare any significant and systematic policy explanation of variations in public beliefs about taxation. The publics in countries with large tax-loads did not state that they found taxes particularly large, and variation in public perception could not be determined neither by welfare regime or tax-rates in the country. Support for progressive taxation did not vary according to how progressive the tax-system in the country was. To the contrary, we detected a negative relationship between tax progressivity and support for progressive taxation.

This does not imply that we the public behave in an unpredictable manner. The publics in most countries find taxes for middle income groups to be somewhat too high, but rater close to what is considered legitimate. Most publics would prefer that the higher income groups paid a larger share of the tax load than they do today, while there seem to be a general agreement that the lower income groups could be relieved from some of the burden. The public is remarkably stable in their interpretation of the tax-load, and most of the small shifts that were detected indicated that the public found tax-rates for the average citizen, to be more legitimate today than 5 or 10 years ago. The policy shifts were of course also very small, and hence we were not able to firmly establish whether public perception shifts in the same direction as the policies. Only a few countries actually wanted to reduce the level of taxes, when they knew that this would have a negative impact on public services.

Introduction

Different scholars have indicated that the modern welfare state is experiencing a serious disintegration (Crozier, Huntington & Watanuki 1975, Fabricant & Burghardt 1992, Jallade 1988, Mishara 1984, Meyerson 1982). The pessimistic arguments have mainly focused on danger to the economic foundations such as outbreak of "stagflation", end of economic growth, high unemployment, fiscal crisis and generally lack of financial resources. Some scholars have also stressed the importance of a general loss of confidence in the modern welfare state (Birch 1984). Public support undoubtedly constitutes an important part of the foundation, and hence, lack of such a support conducts a significant threat to the modern welfare state.

This paper deals with this latter concern. Since most welfare state expenditures have to be paid by taxes, we shall focus on, peoples perceptions of tax-load, support for progressive taxation, and what role governments should have in redistributing wealth among its citizens. A crucial question for the welfare state is whether the public is willing to pay for the expenses, and support redistributive policies. In this paper we ask if perception of tax-load and level of support for progressivity can be explained by the organization of taxes and distributive policies in the country? Do public perceptions of taxes vary according to tax-load in the country, or do different welfare regimes have different acceptance levels of how much taxation they accept? Are public more supportive of progressive taxation in countries where the level of tax-progressivity are high? A last concern deals with whether the level of perception and support is stable, or if changing policies have lead to changing public preferences? The empirical data used in this paper are from the International Social Survey Programs (ISSP) on Social Inequality (1987, 1992), and the Role of Government modules (1985, 1990, 1996). By using these modules, our study offer comparison both over a longer period of time and between a wider range of countries compared to previous studies. Objective measures on taxation and redistribution of income is from the Luxembourg Income Study (LIS).

The first part of this paper will present different welfare regimes and present the tax policy adopted by the various countries. The regimes will be classified according to Esping-Andersen's (1990) typology of welfare states, the level of taxation or tax-load in the country, progressivity, or the structure of the tax system, and finally according to income distribution. Some of the implications of tax-level and tax-structure on public beliefs will be discussed. The next section looks at the level of support among the public. Variations among different countries

are revealed, and the third section tries to explore whether public beliefs and attitudinal patterns can be explained by different policies within the regimes, and finally if policy change have lead to corresponding shifts in public opinion.

Welfare regimes and tax policies

Many scholars have tried to classify distinctive welfare regimes (Titmuss 1974, Jallade 1988, Esping-Andersen 1990, Leibfried 1992, Cochrane & Clarke 1993). Jallade (1988) argue that many of the traditional regional features can be traced in the current organization of the welfare state, and separate between 4 different groups, the Beveridge tradition witch includes United Kingdom and Ireland, the Bismark traditions which is more widespread throughout continental Europe, the Nordic regimes and the Eastern Europe tradition. Perhaps the most well-known typology was offered by Esping-Andersen in 1990. What made his categorization special was that his classification did not solely depend on one-dimensional measures. Esping-Andersen demonstrated that welfare regimes clustered into three relatively distinct regimes-types; the (i) liberal welfare regime, (ii) the conservative regime, and (iii) the social democratic welfare regime. The liberal regime is characterized by a high reliance on the market. Government intervention should be reduced to a minimum, and its basic mission should be to supply a safety-net for the worst off in society. In the conservative policy regime the role of the state is more pervasive, but the entitlements of it's citizens is based on work performance. Finally, in the social democratic regime, the role of the state is not only to provide a safety-net or to provide for wage-earners, rather this regime include most citizens in the core welfare programs, and consequently have the most extensive government. Nilsen (1996:209) suggest that there are large differences between the post-communist countries. He classifies them in different groups according to Esping-Andersen's typology, and consider the Czech republic as a social democratic regime, East-Germany as conservative, Hungary and Slovenia as Liberal-Capitalistic, while Russia and Bulgaria are characterized as "post-communist conservative corporatvistic regimes". In this paper however, we shall place all the former communistic countries in the same group (See table 1).

(Table 1 here)

Esping-Andersen's typology refers to the overall organization of the welfare state. However, he did not consider the financing and duties of the welfare state, but were more preoccupied with classifying transfers and social services. Nevertheless, taxation is beyond doubt a substantial part of the modern welfare state, and there are several reasons for this. At the most general level, the main function of taxation is to provide revenues to finance public expenditures. All governments need receipts. But there might be particular reasons why a specific tax-policy is implied. The more comprehensive the government - and welfare regime is - the more expensive it will be to finance. Moreover, how taxes are structured and organised says something about the intention behind the tax-policy. Income tax, for instance, which is among the main tax-source, might be organised in a more or less progressive manner. The concept of progressive taxation refers to tax-policies where taxes increase as income increases. That is, it increases at a faster pace than income (Roberts, Hite & Bradley 1994: 168), or the average tax rate (tax as a proportion of income) increases with income (Messere 1993: 450). Income taxes might also be structured so that tax-rates do not vary according to income. In systems with such a flat tax rate-system, people pay the same percentage of their income in taxes. Finally, income tax may be structured in a regressive manner, that is that higher income groups pay a smaller percentage of their income in taxes compared to lower income groups. The more progressive taxes are, the larger the redistributive effect will be. However, this redistributive effect might be altered if taxpayers are able to legally avoid paying taxes, basically because these abilities seem to be favorable to higher income groups (Greve 1996). In some countries, the many complicated loopholes has even created a private "tax minimizing industry" (Heidenheimer et al. 1990: 204).

As in other government policies, taxation might be based on different allocation principles, and a traditional concern is the potential conflict between equality and efficiency objectives. A particular tax-structure which promotes one of these objectives may have detrimental effects on the other. Progressive taxation, or the equitable differential tax treatment of taxpayers having different levels of income and capital, often conflict with economic efficiency. Tax level and tax increases influence the efficiency of the market economy, and thereby the growth of the economy in general, in several different ways. The main impact is prices and costs. If for instance, tax rates climb rapidly, it is difficult for employees to achieve both a certain growth in real income after taxes and before transfer payments, without increasing

wages. The outcome easily ends up as higher inflation rates, which also lead to lower investment activity (Meyerson 1982:18). But, tax-relieves to encourage economic objectives are apt to conflict with the principle of equality. A related conflict is between the taxpayers ability to pay and how far the benefits the taxpayer receives. Generally, tax systems takes account of both, progressive income taxes fulfilling the first function and social security contributions the latter (Messere 1993:33).

It seems clear that the structure of taxation says something about the intentions behind the policy, but that the tax-load within the country also says something about government intentions of redistribution. Some regimes might see the tax system as the most important part in redistributing income and alleviating poverty. However, other regimes might see such goals more efficiently achieved outside the tax system, either by reduction in primary (before tax) income or trough government expenditures on welfare benefits. The size of the welfare state varies dramatically from one country to another – and so does the size of the tax burden. Taxes are not only a matter of payments, but it is also a signal of the level of benefits. Because, extensive welfare programs need lot of money, the level of taxation will say something about the scope of government transfers and social services. According to Goul Andersen (1997:4) the social-democratic regimes have a high level of equality and redistribution, which also is reflected in the tax structure. The Scandinavian welfare model he argues, does not only have high income taxes but the income tax is also highly progressive. What he describes as the continental European welfare models have both lower income taxes but also a much less progressive income tax.

Using the Luxembourg Income Study (LIS) we calculated top, medium and bottom tax rates, progressivity and pre and post tax income distributions for 14 countries, and the results are presented in table 2. Top tax rates refer to taxes paid by the upper quintile as a percentage of the quintiles average disposable income, the same procedure was done for the median quintile and the bottom quintile. There are several ways of measuring tax progressivity. A typical way is to refer to the top tax rate or the ratio between the top rate and the first positive rate. The figures reported in table 2 refer to a more robust measure, in that it takes the overall amount of taxes paid and calculates the share of taxes paid by the upper two quintiles divided by the share of taxes paid by the lower three. Pre and post tax income distribution is the ratio between the top and the bottom quintile.

(Table 2 here)

The most neutral measure of tax-level or tax load in the country are the tax-rate for the middle income groups. Most countries have a tax-rate somewhere between 10 and 20 percent. Sweden have by far the highest tax-rate where middle income groups in 1987 paid 34 percent of their income in taxes. The country with the lowest tax rate were Russia where the average income groups only paid 4.6 percent of their income in taxes in 1992.

As noted by Goul Andersen (1997), it is commonly assumed that social democratic countries, which have achieved remarkable income and wealth equalisation, both will have high tax burdens due to large governments, and a very progressive and redistributive tax system. While conservative and liberal regimes will have a lower tax rate and income tax will be less regressive. In countries where LIS-data were available, the general pattern on the *level* of tax-rates. Findings are very much like we would expect. The so-called social-democratic regimes have the highest tax-load, with an average of 24.7 percent, the average for the conservative regimes are 19.5, while the liberal regimes have a tax load where the average citizens pay 13.2 percent of their disposable income in taxes. Tax-load in the post-communist countries are exceptionally low, and might reflect that these countries have not yet developed the western welfare structure. Typical for the communist states was an indirect distribution of income (Domanski 1997: 250). During the communist era personal income was not liable to taxation, government based their income solely on corporate taxes or income from raw materials or weapon export (Tjønn 1998:38). Figure 1a, b and c present the ranking of countries according to welfare state typology and tax-load measured both by the LIS data, but also according to income tax as a percent of GDP (Messere 1993: 48) and taxes to general government as a percentage of GDP (Lane et al. 1997: 72). There seem to be a smaller variance between the countries when measuring tax-load in relation to GDP, but the correlation between the LIS measure and the to GDP related measures are good.¹

(Figure 1 here)

¹ Persons R is .70 between LIS measure and Messere's figures and .68 between the LIS measure and Lane et al.'s figures.

If we turn to the level of income tax progressivity the ranking of countries do not vary according to the tentative assumptions. Progressivity is highest in the liberal regimes, and least progressive in the social-democratic and post-communist countries. On average the conservative regimes are placed somewhere in-between. In Israel, Australia, the United States and 1991 United Kingdom the upper two quintiles pay more than 3 times what the lower three quintiles does ² (See table 2). This findings do not fit the stereo-typical view that liberal regimes would be less inclined to apply policies where the government use taxes to redistribute income between it's citizens. However our findings are consistent with Steinmo's (1993) findings, who demonstrated that both the United States and Britain had more progressive tax systems than Sweden. The OECD report presented by Atkinson, Rainwater & Smeeding (1995) also concludes that social-democratic welfare-regimes like the Netherlands and Sweden have a lower rate of progressivity than United States, Canada, Australia and Britain. Figure 2 also presents the ranking according to the top-bottom difference measured both using the LIS data and according to Messere (1993:285). Messere's figures from Norway and Sweden³ in 1985 illustrate a particularly high progressivity rate which is not consistent with the findings of neither Steinmo (1993) or Heidenheimer et al. (1990:211).

(Figure 2 here)

Finally we have the income distributions before and after tax. The ranking of regime types are basically similar to the ranking according to tax load. Social democratic welfare states have the most even income distribution. Were the ratios between the top and bottom quintile is 5.49 before tax and 4.49 after tax. Income distributions are most unequal in the liberal regimes and in Russia. This suggest that taxation is regarded as a more important redistributive policy in the liberal regimes, while the social-democratic regimes have implied a redistributive policy where more emphasis is based on reduction in pre-tax income trough government expenditures on welfare benefits.

² This measure refer to the absolute level of taxes paid: E.g. for United Kingdom in 1991, the upper two quintiles paid 77 percent of total income taxes while the lower three quintiles paid 23 percent.

³ According to Messere top rates in Norway were 40 percent in 1985 and 14 percent in 1992. First positive rates were reported to be 3 percent in 1985 and 8 percent in 1992. Swedish top rate in 1985 was said to be 54 percent in 1985 and 20 percent in 1992, while the first positive rates were 3 and 20 percent. Heidenheimer et al. reported a Swedish top rate of 80 percent and a low rate of 35 in 1985. In 1990 the top rate had declined to 50 while the lowest tax rate was set to be 30 percent.

Table 2 gave the general impression of a rather remarkable policy stability, however there had been some minor shifts. In 6 of the 7 countries we have data from over time, there was a tendency for a somewhat more progressive tax scheme. This is the opposite trend of what is reported in Messere (1993) and Heidenheimer et al. (1990). One of the reasons behind this inconsistency in findings might be that both refer to official top and bottom rates of central government income tax. The figures in table 2, is based on official household surveydata, and compares the ratio between the top two and bottom three income groups. As Greve (1996) argues, the actual level of progressivity, might be altered by "write off" privileges, and the upper income groups ability to depreciate the tax base. Hence, the measure calculated using LIS-data is obviously somewhat different from the official measures reported by Messere and Heidenheimer et al. Messere (1993:28) describes the wave of official tax-reforms that occurred during the eighties and early nineties to be a reduction in personal tax rates but a widening of the personal tax base. Moreover, the recent wave of tax reforms have tried to reduce the progressivity rate, but he admits that due to the complexity of trade-offs involved, it is not easy to evaluate how these income tax changes has affected income distribution (1993:34). According to our data, the largest change occurred in the United Kingdom, and the only country that hasn't experienced a shift towards more progressivity is Norway.

Consistent with other studies, table 2 verifies that the tax load has increased in most countries. In Norway and Sweden the medium tax rate increased during the eighties but declined in the beginning of the nineties. These shifts were also noted in the overall amount of taxes to general government reported by Lane et al. (1997:78), but the shift reported by the LIS data is perhaps artificially large. Tax-rates for medium income groups have been fairly stable in the United States, United Kingdom and in Australia. As a preliminary summing up, we might say that progressivity, tax-load and income distribution to some extent vary between the regimes types classified by Esping-Andersen, but that the relationship are not always in the assumed direction.

So how can welfare regime and tax policies affect citizens' beliefs about taxation and redistribution of income? Steinmo (1993:193) argues that most political scientists wrongly assume that cross-national differences in tax-burdens are explained by different spending desires by the public. The literature Steinmo refers to, argue that the public do influence the governing tax policies. Change in tax- and spending policies are caused by public demands and elections,

and not the other way around. If the public is reasonably well informed about what policymakers actually do, they will adjust their preferences for more or less taxes or spending in response to the actual policy outputs. Hence, the public acts as a policy thermostat, regulating the behaviour of the political elite (Stimson 1991, Wlezien 1995). If taxes got too high the public would react and revolt against it, similarly if inequality got too large and welfare benefits were reduced to an unacceptable minimum, the public would demand more social services and allow taxes to be increased. Some of the evidence behind this assumed tax-revolt, was the establishing of several anti-tax parties in the 1970s, among them the Norwegian and Danish progress parties, which still remains in parliament today.

Contrary to the thermostat or the tax-revolt model, Steinmo suggest that tax policy solely is a matter of policy choices made by the elite and not by the general public. The reason he portraits the reversed casual relationship between tax policies and public opinion, is that most public like government spending but hate taxes. If the public have any influence at al, it is because it acts as a constraint on the state, and not as a facilitater. Steinmo argues that the causal connection between regime and public is one where the values of the regime, or the political elites, will conquest the minds of the citizens, and that people will support the principles practiced by the regime. “ [...] dissimilarities in public attitudes toward public spending has more to do with policy choices made for those citizens by political elites” (Steinmo 1990:193). The regime model indicates that public beliefs will vary systematically with the policies chosen by the political leaders.

Studying a limited number of countries, Svallfors (1993) and Papadakis and Bean (1993) did not find that mass attitudes towards inequality behaved according to Esping-Andersen's regime model. But Aalberg's (1997) cross-national study of public's evaluation of wage inequalities demonstrated that the public do adjust their ideals according to how they perceive wage inequalities in the country. The larger the public's perception of wage inequalities is the larger differences they seem to accept. This relationship also existed overtime within countries. The shift was particularly large in Hungary and Poland, which of-course also had experienced large regime transformations from 1987 till 1992.

Public perception of tax-load and support for redistributive policies

Due to the combination of slow growth, high unemployment and escalating national debt during the seventies, the welfare state became more dependent on funding from other sources. Therefore, it seemed unlikely that unless the mass of the population paid higher taxes, government would not be able to substantially improve welfare provisions. However, due to the unpopular nature of taxation among voters, a general concern was that government could not cope with both the pressure for higher spending and lower taxes. As Steinmo pointed out, public opinion about taxation is not so much about the desirability or popularity of taxes as it is about the tolerability of taxation. From both a theoretical perspective, and of course from the government point of view, it would be desirable to know what the majority of the public would consider the right amount of taxes. But many scholars have pointed out that there is a limited connection between figures for tax revenue as recorded in the national budget and perceptions of taxation in the minds of ordinary people. Therefore public perception would not necessarily be accurate. According to Lewis (1982:49) the general public is fiscally ignorant. Most people lack specific knowledge about how much they pay in taxes each year, both directly and indirectly. Still, one can argue that ordinary people do not need to have detailed knowledge of taxation in order to react in ways that concern politicians, and according to Rose & Karran (1987:184) citizens do have realistic expectations about taxation and what to expect.

Due to the rather unpopular nature of taxes, answers to questions about taxation in opinion surveys are particularly sensitive to the question wording. A question about the desirability of tax cuts will produce more anti-tax replies than a question that asks whether tax-cuts are favored if this means reducing spending on public programmes (Hadenius 1985). Such findings have led some writers to claim that citizens either do not understand the tax-price for services, or even worse, that "they want something for nothing" (Sears & Citrin 1982, Welch 1985). Confalonieri & Newton (1995) also claim that the something for nothing approach seems to be a good interpretation of much of the public opinion data. However, they stress that it is not so much ordinary taxpayers who want something for nothing, but that a majority of citizens believe that the upper income groups do not pay their share.

The most important aspect of public attitudes is therefore not if they want to cut taxes while increasing public services, but rather if the public consider taxes to be fair and that the tax structure is regarded as legitimate. The larger the proportion who think that taxation is fair, the

better likelihood of people co-operating in the payment of taxes. This is important also because it reduces the risk of tax evasion, which in many cases might be perfectly legal, by using the variety of “loopholes” and write-off privileges that exists (Heidenheimer et al. 1990: 203).

According to the ‘something for nothing’ argument, the public are expected to claim that the tax-load in the country are too high and that government should reduce taxes. The ISSP modules asked about the level of taxation for three different income groups: “Generally, how would you describe taxes in [R’s country] today? (We mean all taxes together, including social security, income tax, sales tax, and all the rest). First, for those with high incomes are taxes much too high, too high, about right, too low or much too low? Next, for those with middle incomes, are taxes much too high, too high, about right, too low or much too low? Lastly, for those with low incomes, are taxes much too high, too high, about right, too low or much too low? The results from 1992 are presented as means in figure 3, were high values on the 5 point scale indicate that the public describe taxes as too high. Countries are ranked according to means when describing tax-load for the middle income groups, were most countries have an average close to 3, indicating that taxes are “about right”. The pattern is the same in all countries. A vast majority thinks that low-income groups are paying too much of their income in taxes. In most countries, except Canada and the United States, a considerable smaller group feel that those with medium income pay too much in taxes, and only a small minority seem to think that tax load for high income groups are too high. On the contrary, most people actually claim that taxes for those with high incomes are too low, and that tax rates for the upper income groups should be increased.

(Figure 3 here)

The ranking of countries in respect to people’s perception of the average tax load do not seem to follow a particular pattern. In both former communist countries, traditional liberal regimes like USA and Canada, as well traditional social democratic welfare regimes like Sweden and Norway people seem to perceive taxes as too high. Slovenia East and West Germany, United Kingdom, New Zealand, Australia and Austria have publics which perceive a somewhat smaller tax-load, or at least seem to accept a higher taxes than the other countries. For some of the countries we have data from different time periods, since identical question were asked also in

1987 and repeated in 1996. In 9 out of the 14 countries, public describe taxes as more suitable now than in 1987 or 1992. Both United Kingdom and Australia have experienced a consistent decline the last decade towards a more “acceptable” tax-rate for middle income groups. The publics of Austria and New Zealand are pretty stable in their evaluation of taxes. While the public of the United States described taxes as somewhat higher in 1992, but remained at 1987 level in 1996. The only two countries where the public felt that taxes became less “acceptable” was East and West Germany. Countries in figure 4 are ranked according to mean for 1992.

(Figure 4 here)

The ‘something for nothing’ argument stressed that public would be protesting against the level of taxation at the same time as they wanted more public spending. So far the data has indicated that the average public describe tax-load for average citizens as somewhat too high, but that many seem to think that the level of taxation is acceptable, and the public hatred towards taxes is long in coming. One of the reasons behind the assuming lack of public constraint was that the public would state that taxes were too high when not confronted with the consequences. We have not detected any overwhelming tax-cutting demands, but the question used did not ask if one simply preferred to cut taxes. However, it is interesting to see how willing the public is to reduce the level of taxes if they know that this will influence and reduce social services. The Role of Government module from 1996 included such a question, and asked: “If the government had a choice between reducing taxes or spending more on social services, which do you think it should do? Reduce taxes, even if this means spending less on social services, or spend more on social services even if this means higher taxes? The percentage of the public who still would favor reducing taxes is presented in figure 5 below.

(Figure 5 here)

When confronted with the choice of reducing taxes or social services, only a small number of countries actually preferred to cut taxes. A small majority in West Germany Australia and Hungary would like to decrease tax-load despite its consequences for public services. Most eager to cut taxes are the Irish, where 60 percent of the public seem quite determined to reduce

taxation. The English on the other hand, are most eager to increase taxes in order to gain more social services. But also the Norwegians, Bulgarians, Czechs, and East Germans seem to prefer more public services rather than reducing the tax load.

Now, let's turn to the tax structure. Generally income taxes are grouped in three main categories. First you have the progressive tax structure, where higher income taxpayers have higher tax liabilities than lower income taxpayers. The second category are the flat tax rate system, where taxpayers pay the same rate of their income in taxes, and finally there is the regressive tax system, where higher income groups pay a lower share of their income in taxes than what lower income groups does. A central question in most of the ISSP modules was whether the public would favor any of these three ways of organizing tax revenues. Those who supported progressive taxation would say that those with higher income should pay a larger or much larger proportion of their income in taxes, than people with low incomes. Those who preferred a flat tax rate would say that high income groups should pay the same share as lower income groups, and finally those who supported a regressive tax system, would say that high income groups should pay a smaller share of their income in taxes.

As illustrated in figure 6, the principle of vertical equity, or progressivity, is supported in most countries. In 1992 the average ranged between 4.61 and 3.72, where the higher values reports the strongest support for progressivity. The closer the averages are to 3, the more the public favors a flat tax rate. None of the countries have averages below 3 indicating that no one seems to favor a regressive tax structure. Translated into percentages this indicate that between 65 and 95 percent of the public said that those with high income should pay a larger or much larger share of their income compared to those with lower income. Again the countries do not cluster according to the welfare regimes. Among the most supportive public we find Bulgaria and East Germany, but also western countries like, Italy, West Germany, Sweden and Austria have averages above 4. The least supportive of progressive taxation are Russia, Norway, New Zealand and Australia.

(Figure 6 here)

The widespread enthusiasm for progressive taxation detected among the public, is running against the trend of official government policies in many countries, where the tax

schedule is more flat than progressive. The signal is pretty clear; a majority in all countries would support a progressive tax policy, and favor a tax schedule where the high-income groups pay a larger share. In most cases support for progressive taxation has been strong since the mid 1980s, and in the US, United Kingdom and in Australia the public has even become more supportive over the years.⁴ Studying US attitudes towards taxation, Roberts et al. (1994) are critical to the public enthusiasm for progressive taxation. They stress that peoples evaluation of tax rate structures is framed by the question, and that more concrete and less abstract questions will lead to a less approving public. Roberts et al. argue that the public do not understand the logic of a progressive tax rate, and that this create an artificial support for progressivity.

Explaining public perception and support for redistribution

So far no evident and systematic cross-national pattern in public attitudes towards taxation has emerged. We ran simple bivariate linear regressions in order to explore for any relationship between public perception of tax-load for middle income groups and the more objective tax-figures. The findings are presented in figure 7, and show barely any relationship at al. Basically one can interpret these findings in two different ways; The most obvious, and perhaps most sound interpretation, is that perception of tax-load do not vary according to tax-level in the country. A more speculative interpretation is that this reveal support for Steinmo's argument - and the regime model - in that public adapt the values of the governing regime. No-matter how high or low tax rates are, the public is always going to perceive taxes as somewhat too high. Unfortunately, we do not have data from any regimes, which dramatically changed its tax policy, and it is therefore impossible to confirm this explanation. Most of the few and small shifts we are able to detect, goes downwards to the left, indicating that when tax-loads are reduced people perceive this shift and regard taxes as somewhat more acceptable. This is the case for Australia and United Kingdom in both graphs, while only in one graph for Germany. The LIS data reported an increase in tax-load for German middle income groups, while Lane et al. reported a decline in German general taxes. The US public perceived taxes to be higher in 1990 than in 1987, but there were not reported any increase in tax load.

⁴ Figures are not presented in this paper but can be acquired upon request.

(Figure 7 here)

Nothing indicated that the public perception of a high tax load increased as the level of tax-load in the country increased. Public opinion do not seem to behave systematically according to welfare regime, perhaps with the exception on support for progressive taxation. Still, the most progressive countries were the liberal welfare regimes, and they were the least supportive of a progressive tax rate. This indicates that support does not vary according to the level of progressivity in the country, and that the public do not necessarily adapt the values of the existing policies. Again focusing on the small shifts, the relationship between support for progressivity and actual level of progressivity seem to go in both directions. In Germany and Norway, there have been small shifts towards more progressivity, but the public has become less supportive. In the United Kingdom, USA and Australia, however, the shifts were in the same direction. Level of progressivity become moderately larger and public support increased somewhat. Support for progressive taxation probably reflect publics general desire to apply a redistributive policy more than it express the publics approval of using taxes as an overall mean to achieve government income. As illustrated by figure 8 there is a slightly negative relationship between the progressivity rate in the country and public support for progressive taxation.

(Figure 8 here)

An alternative explanation for variation in public support might be public's interpretation of progressive taxes as a government tool in the redistribution of income. If citizens prefer government involvement in reducing differences between upper and lower income groups, they will be more supportive of progressivity as a redistributing policy. This explanation seems to fare much better with the data. The larger the majority wanting government to be involved with income redistribution are, the more favorable they are towards progressive taxation. The public of East Germany and Bulgaria, which are the most supportive of a progressive tax rate, are also most in favor of government redistribution. Again, most of the liberal regimes rank lowest, while the pattern is somewhat more mixed among the conservative, the socialistic welfare regimes and the post-communistic societies.

(Figure 9 here)

Conclusion

Newton & Confalonieri's (1995) attempts to find macro-level explanations for attitudinal differences in aggregated beliefs on taxes were unsuccessful. However, they only analyzed six countries. Using the first wave of the Value-surveys, Listhaug & Miller (1985) did not find any connection between support for tax cheating and tax-policies. Studying the United States, United Kingdom and Sweden, Steinmo (1990) revealed that taxes are not structured according to how "conservative" or "socialistic" the countries are, and Svallfors (1993) were unsuccessful in demonstrating that attitudes to inequality in Sweden, Germany and United Kingdom varied according to the welfare regime. Despite our larger database and somewhat different measures, our study array neatly in the line of research, which are not able to declare any significant and systematic policy explanation of variations in public beliefs about taxation.

This does not imply that we the public behave in an unpredictable manner. Most public find taxes for middle income groups to be slightly to high. But that tax-rates for the average citizens are rater close to what is considered legitimate. Most publics would prefer the higher income groups to pay a larger share of the tax load then they do today, while the lower income groups could be relieved from some of the burden. The public seem to be remarkably stable in their interpretation of the tax-load, and most of the small shifts that were detected indicated that the public found tax-rates for the average citizen, to be more legitimate today than 5 or 10 years ago. The policy shifts were of course also very small, and hence we were not able to firmly establish whether public perception shifts in the same direction as the policies. The publics in countries with large tax-loads did not state that they found taxes particularly large, and variation in public perception could not be determined neither by welfare regime or tax-rates in the country. And very few countries actually wanted to reduce the level of taxes, when they knew that this would have a negative impact on public services.

Support for progressive taxation did not vary according to how progressive the tax-system in the country was. To the contrary, we detected a negative relationship between tax progressivity and support for progressive taxation. The most apparent explanation for this is that the public see progressive taxation as a suitable redistributing tool for the government, while the political elite are more aware of the possible trade offs that exist, and thus regards other policies equipped for redistributing wealth among it's citizens. Rather they widen the tax base to include other areas, and argue that redistribution is more efficiently achieved trough various forms of welfare

programmes and transfers outside of the tax-system. Despite the gap between official policies, and the citizens preferences, the public does not constitute a potential danger to the founding of the welfare state. Tax-loads for average citizens are not perceived as unacceptably high, and the general willingness to make sacrifices, have proven the welfare pessimists and 'demand overload' theses wrong.

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Table 1: Welfare State typology

Liberal Welfare Regime	Conservative Welfare Regime	Social Democratic Welfare Regime	Post-Communist Welfare Regime
Australia	Austria	Netherlands	Bulgaria
Canada	Germany	Norway	Czech Republic
Switzerland	Italy	Sweden	East Germany
United States	(Ireland)	(New Zealand)	Hungary
(United Kingdom)			Russia
			Slovenia

Source: Modified version of Esping-Andersen (1990: 74)

Note: United Kingdom, Ireland and New Zealand are placed in brackets because they are not stereo-typical versions of the regime. Still, according to Esping-Andersen analyses, they load highest on these dimensions.

Table 2 Tax policies: Tax-rates, progressivity, and pre and post tax income distributions (LIS)

Country	Year	Top Tax Rate	Medium Tax Rate	Bottom Tax Rate	Progressivity	Distribution before tax	Distribution after tax
Australia	1981	24.3	13.7	4.1	3.3	8.0	5.9
	1985	27.3	13.6	4.8	3.6	8.2	5.9
	1989	25.0	12.7	4.4	3.9	9.0	6.6
Canada	1981	16.0	9.7	6.5	2.7	7.0	5.7
	1987	19.5	11.9	10.5	2.7	7.0	5.7
	1991	21.0	12.7	8.6	2.9	7.3	5.7
Czech Republic	1992	12.1	10.2	13.3	1.5	4.8	4.2
Germany	1979	18.1	16.8	23.0†	1.5	6.0	5.2
	1984	28.8	22.8	21.0	1.8	5.4	4.3
	1989	33.2	24.8	25.3	2.2	9.7	7.0
Ireland	1987	20.3	13.4	15.3†	2.6	7.4	5.9
Israel	1986	26.2	10.7	5.1	4.1	6.8	4.9
Netherlands	1983	38.5	28.4	18.1	2.1	4.1	3.4
Norway	1979	30.0	18.3	13.7	2.4	5.9	4.4
	1986	22.7†	20.0	12.6	2.0	6.8	5.3
	1991	24.4	17.3	7.8	2.4	6.4	5.0
Russia	1992	3.4	4.6	12.2	1.7	13.7	13.6
Slovakia	1992	11.1	9.6	11.5	1.4	4.4	3.8
Sweden	1981	34.8	31.6	30.0	1.6	4.2	3.6
	1987	39.9	34.0	50.2†	1.6	5.2	4.8
	1992	28.5	23.4	19.7	1.8	5.8	4.9
Switzerland	1982	18.7	13.1	11.2	2.6	7.4	6.4
United Kingdom	1979	18.4	14.4	11.0	2.2	6.5	5.3
	1986	22.4	15.4	14.5	2.6	6.2	4.9
	1991	22.0	15.0	6.3	3.4	8.2	6.7
USA	1979	24.2	13.0	10.9	3.1	8.2	6.5
	1986	24.3	13.1	12.6	3.2	9.0	7.3
	1991	23.6	12.9	10.0	3.3	9.0	7.3

Source: Luxembourg Income Study (LIS)

Note: Top tax rates refer to the upper quintiles taxes as a percentage of their disposable income, medium tax rates refer to the middle quintile, and bottom tax rates are taxes paid by the lowest quintile as a percentage of disposable income. Progressivity is the ratio between the share of taxes paid by the top two quintiles to those paid by the bottom three. Income distribution before and after tax is the ratio between the top and bottom quintile. Negative and zero values are coded as missing. † indicate particularly large standard deviations.

Figure 1: Tax-load by welfare regime classification

Figure 1a

Income tax (medium quintile)
as a percentage of disposable income
Source: LIS

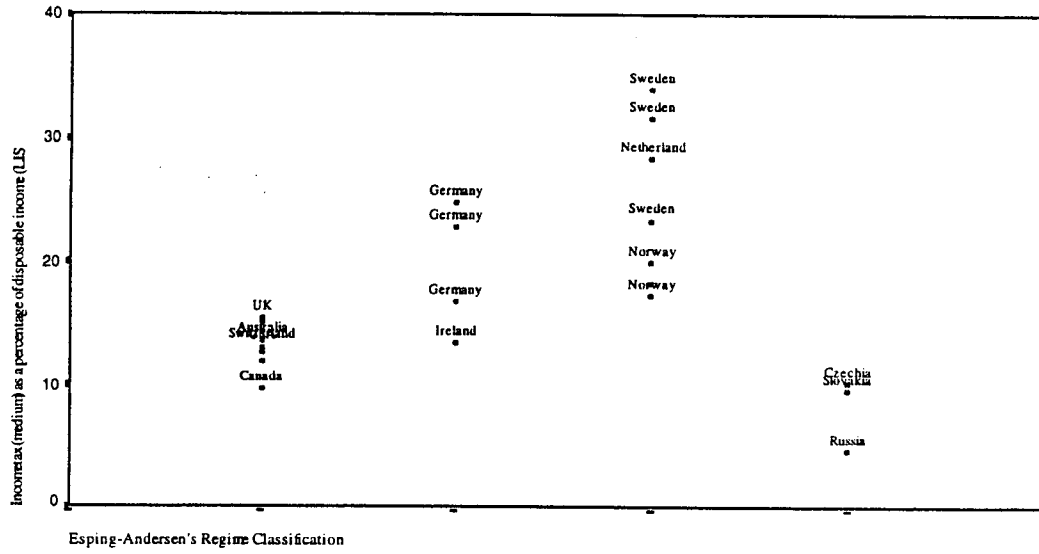


Figure 1b

Income tax as percentage of
GDP at market prices
Source: Messere (1993:48)

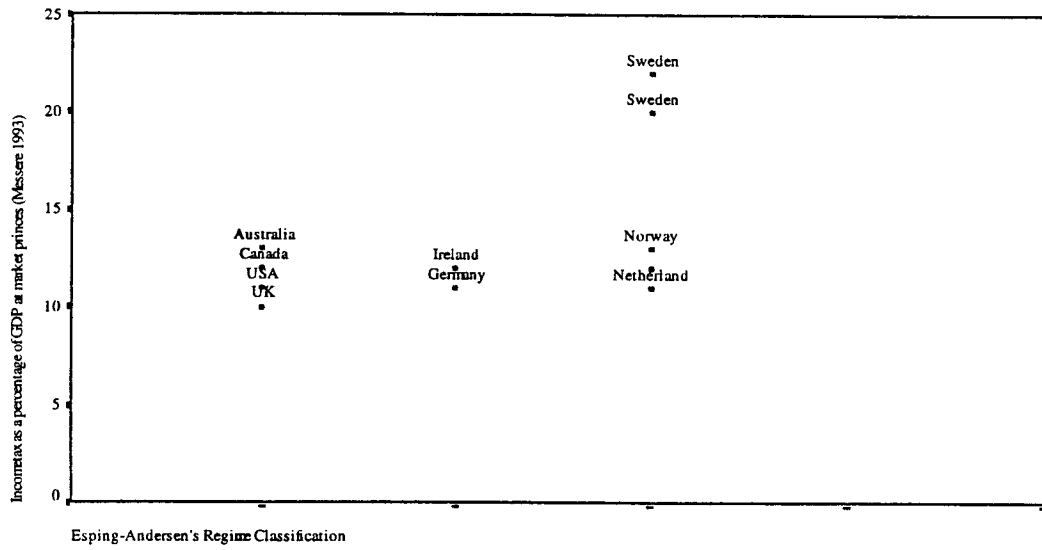


Figure 1c

Taxes to general government
as a percentage of GDP
Source: Lane et al. (1997:72)

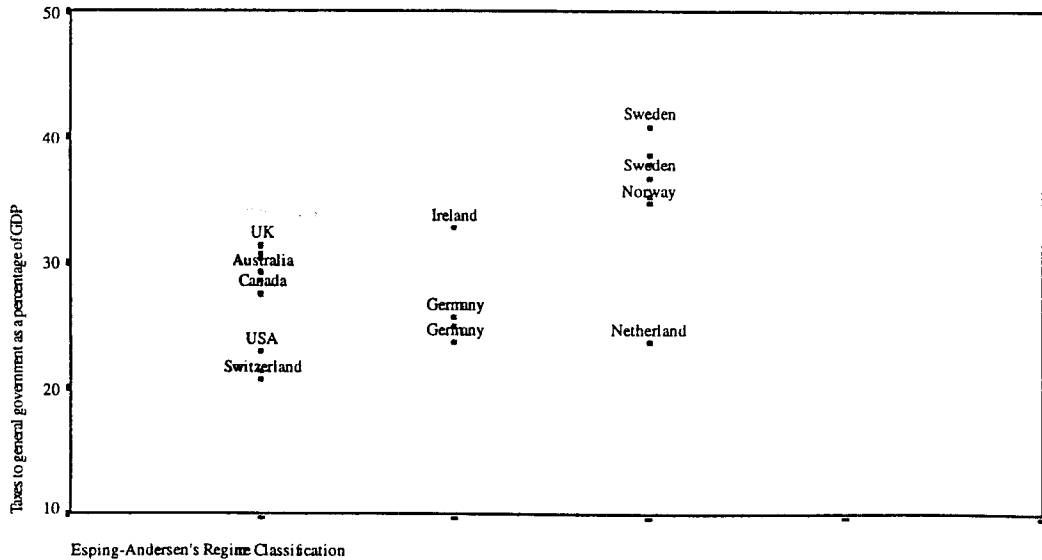


Figure 2: Tax progressivity by welfare regime classification

Figure 2a
Progressivity: Ratio between share of taxes paid by upper two and lower three quintiles
Source: LIS

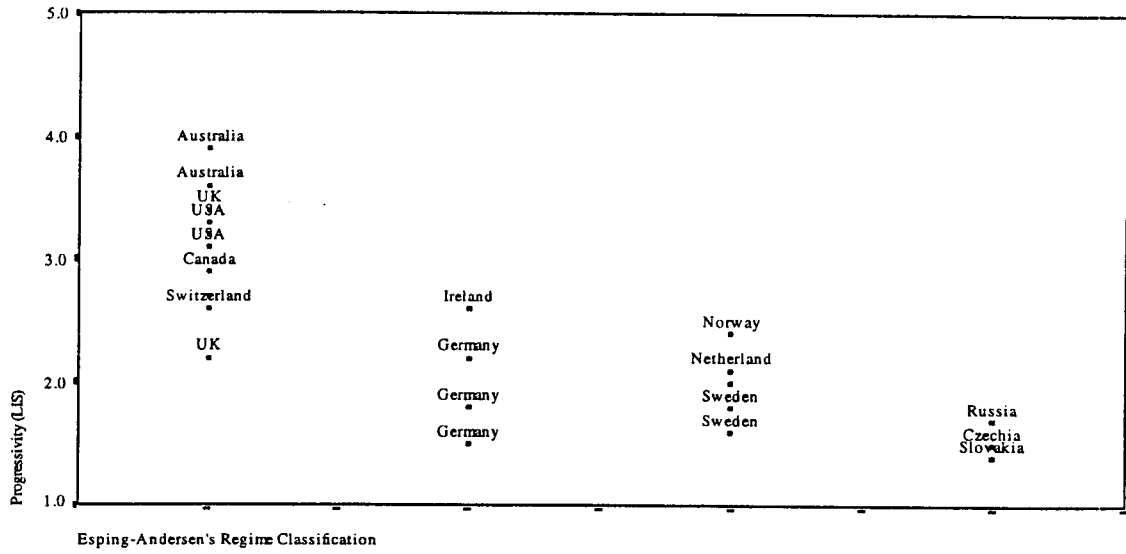


Figure 2b
Top bottom differences: Ratio between top and bottom tax rate.
Source: LIS

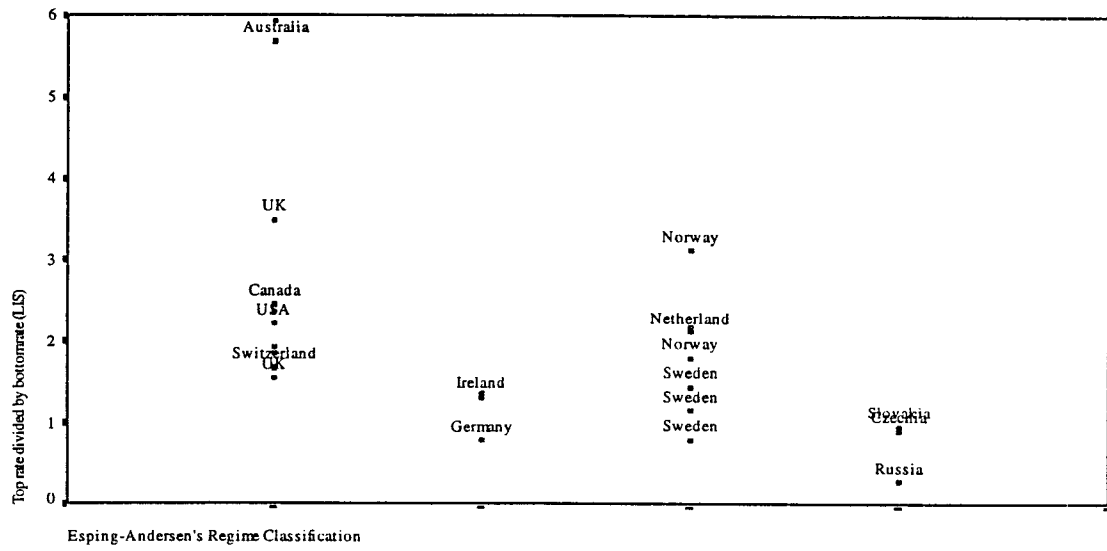


Figure 2c
Top bottom differences: Ratio between top and bottom tax rate.
Source: Messere (1993: 285)

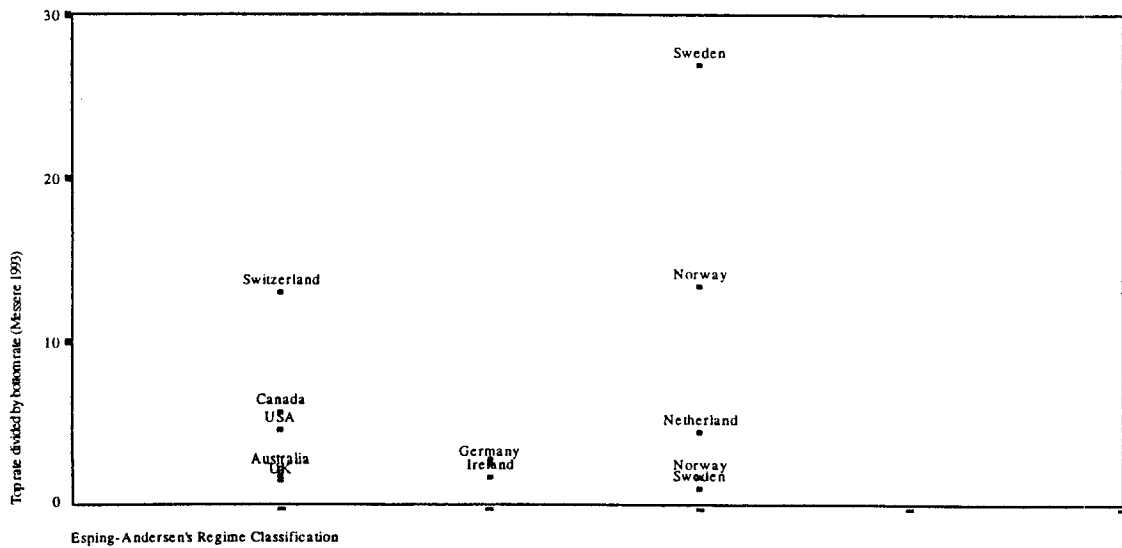
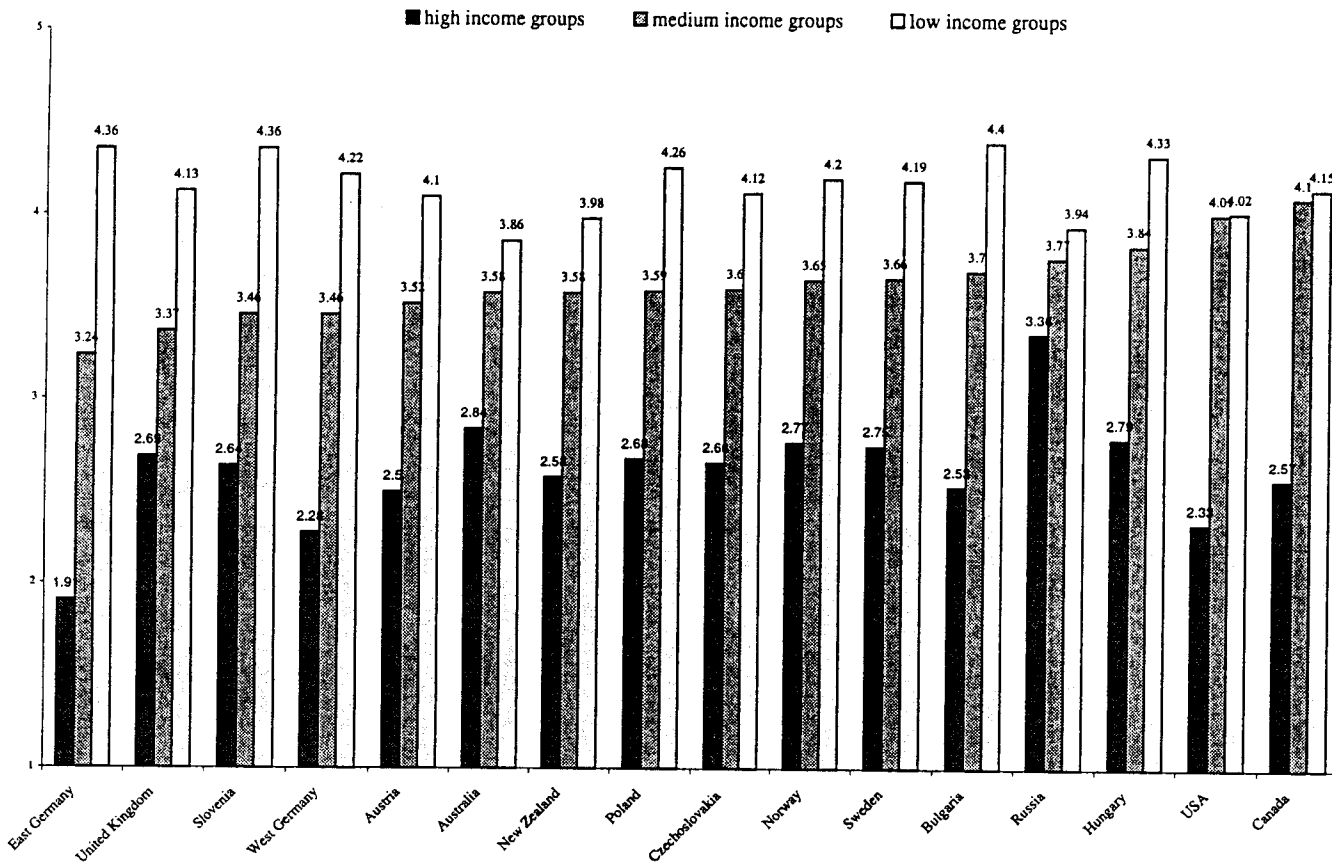


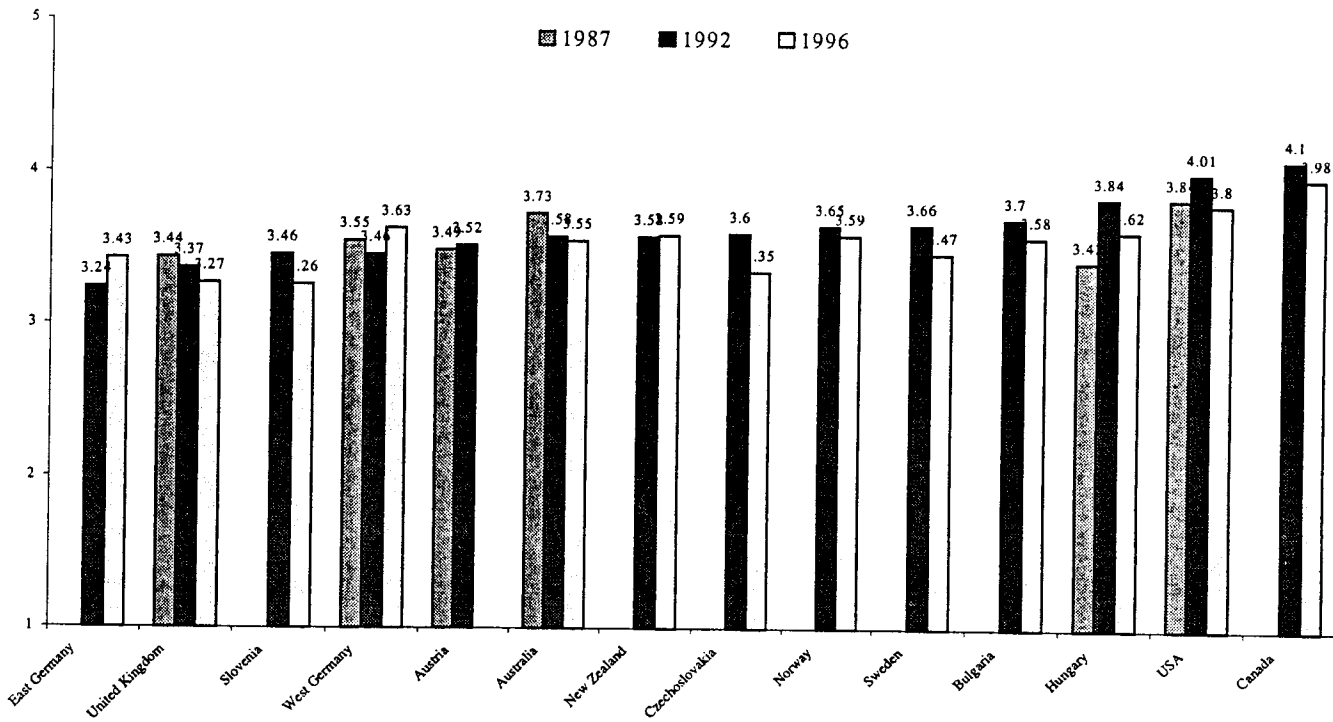
Figure 3: Describing tax-load for high, middle and low income groups, 1992 (ISSP)



Source: ISSP 1992

Note: Entries are means. Question wording is "Generally, how would you describe taxes in (R's country) today? First for those with high incomes are taxes much too high, too high, about right, too low or much to low, Next for those with middle incomes are taxes much too high, too high, about right, too low or much to low. Lastly, for those with low incomes, are taxes much too high, too high, about right, too low or much to low". [5 = "much too high", 3 = "about right" and 1 = "much too low"].

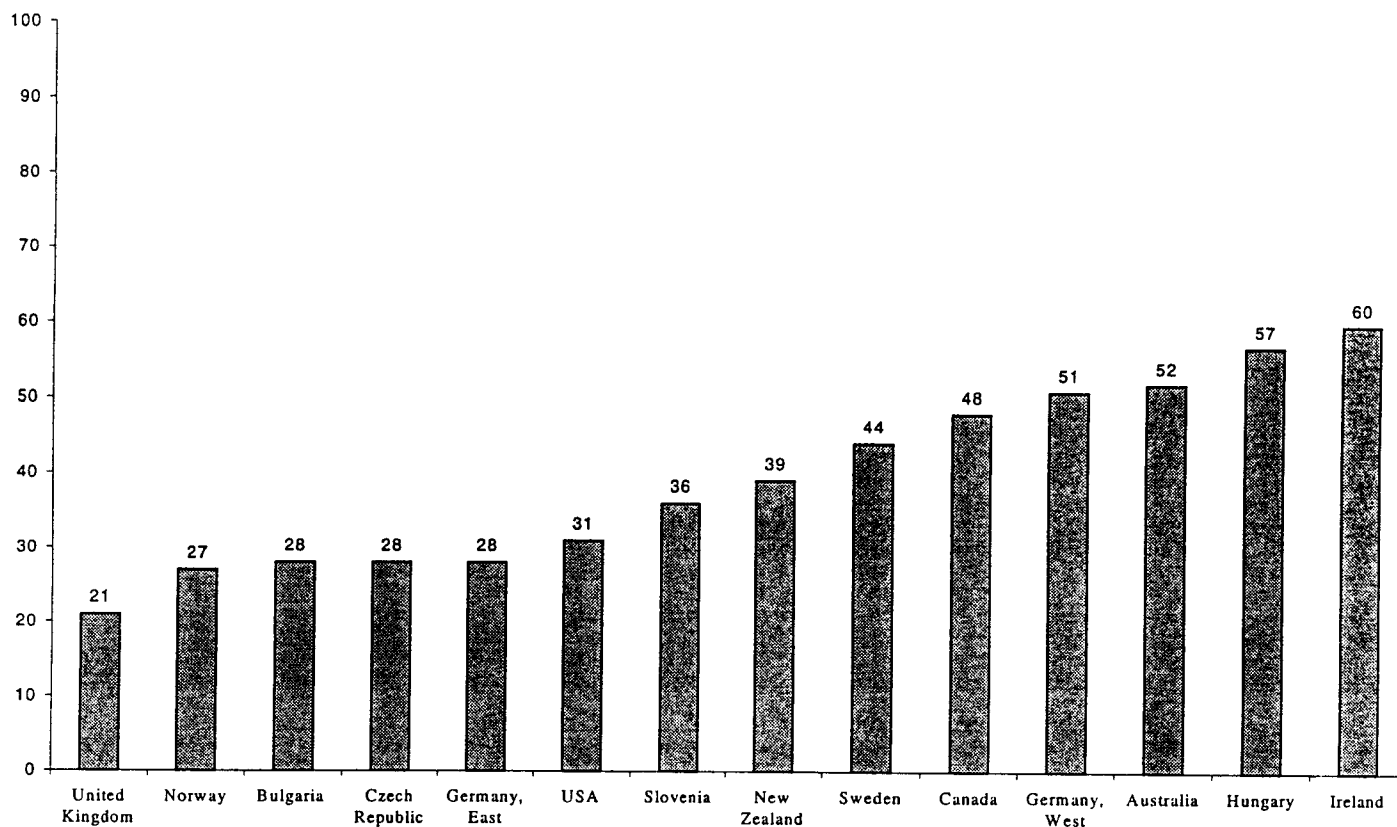
Figure 4: Describing tax-load for middle income groups, 1987 – 1992 – 1996 (ISSP)



Source: ISSP 1987, 1992, 1996

Note: Entries are means. Question wording is "Generally, how would you describe taxes in (R's country) today? Next for those with middle incomes are taxes much too high, too high, about right, too low or much to low." [5 = "much too high", 3 = "about right" and 1 = "much too low"].

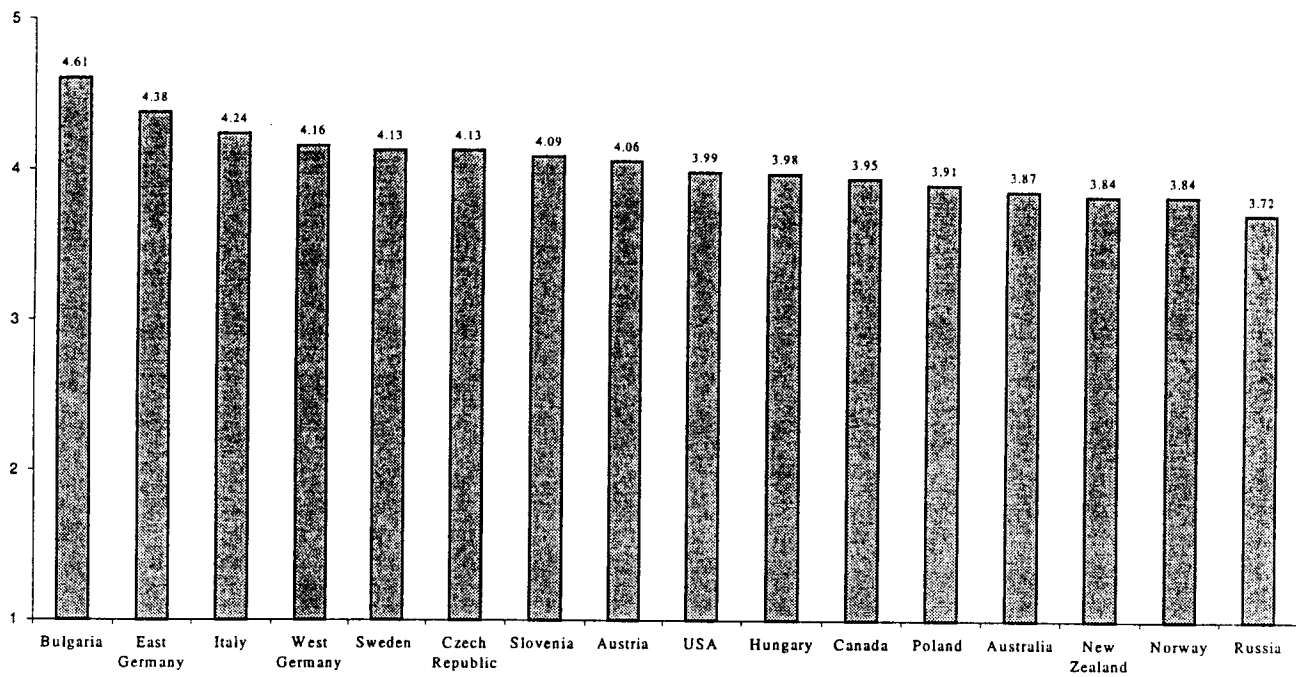
Figure 5: Preference for reducing taxes, despite consequences for social services, 1996 (ISSP)



Source: ISSP 1996

Note: Entries are percentages. Question wording is: "If the government had a choice between reducing taxes or spending more on social services, which do you think it should do? (We mean all taxes together, including income tax, tax on goods and services and the rest) Reduce taxes, even if this means spending less on social services or spend more on social services, even if this means higher taxes. [Taxes refer to all forms of state revenue, not only those deducted from people's pay, but also indirect taxes on consumables and social contributions, for example retirements pensions. By 'social services' we are referring to government programmes such as health, social security, pensions and education]" Respondents who picked "can't choose" as an option are *not* coded as missing.

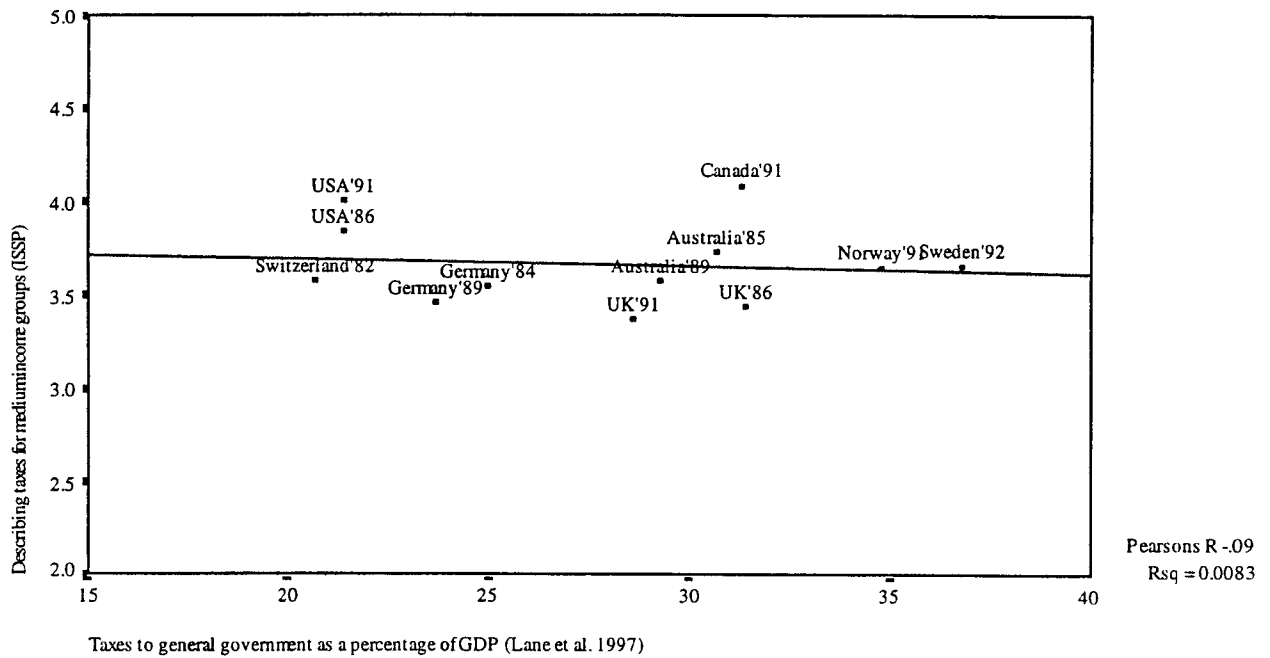
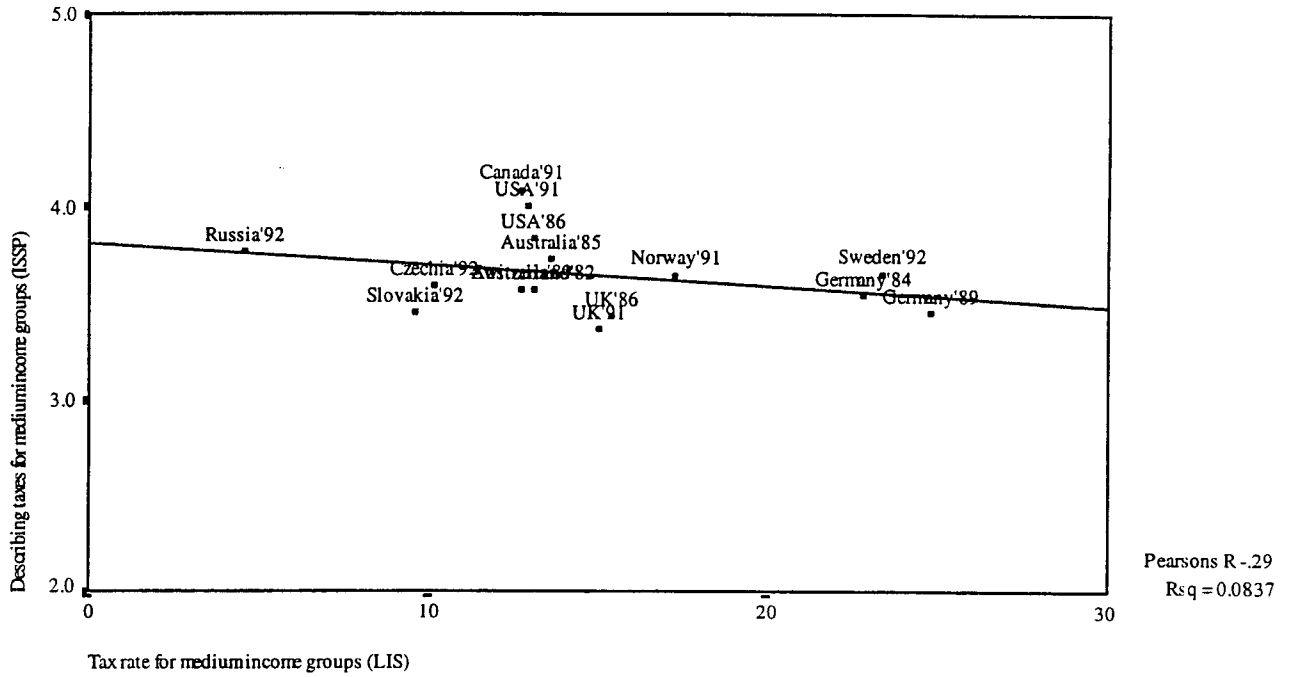
Figure 6: Public support for progressive taxation, 1992 (ISSP)



Source: ISSP 1992

Note: Entries are means. Question wording is "Do you think that people with high incomes should pay a larger share of their income in taxes than those with low incomes, the same share or a smaller share?" [5 = Much larger share, 3 = The same share, 1 = Much smaller share]

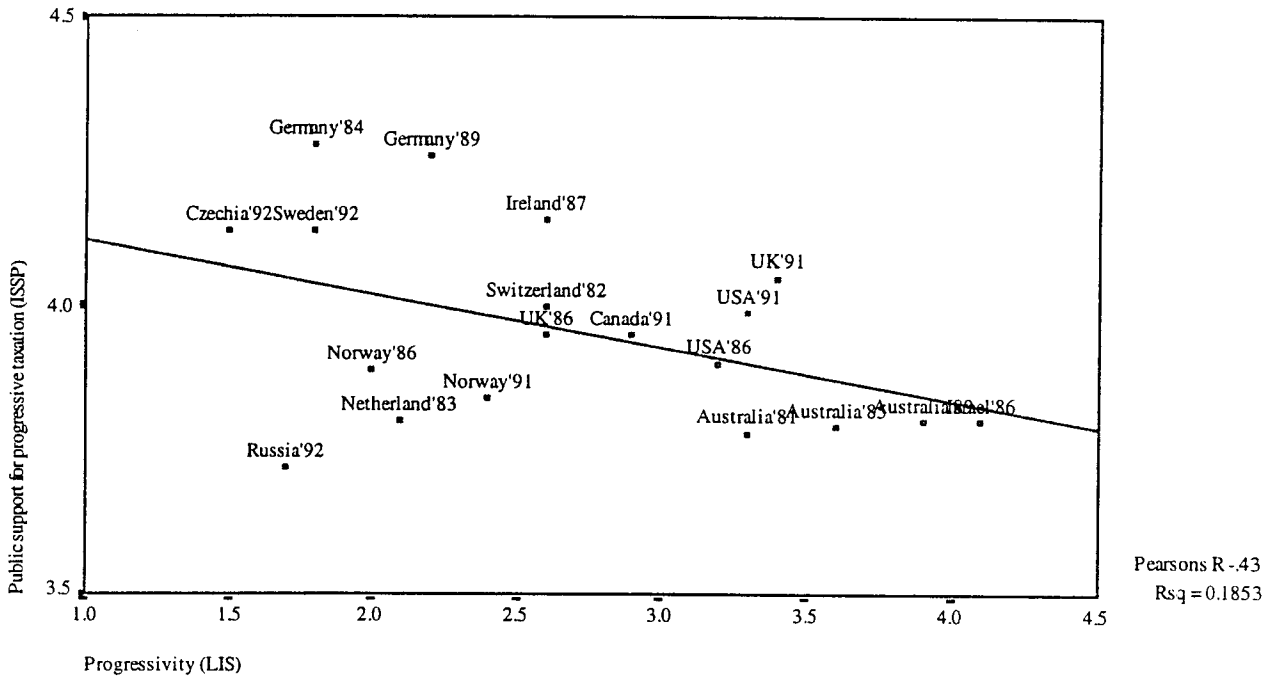
Figure 7: Public perception of taxes for middle income groups by tax-rate for medium income groups and taxes to general government as a percentage of GDP.



Source: LIS, ISSP, Lane et al. (1997:72)

Note: Entries are means, tax- rate for medium income quintile, and taxes to general government as a percentage of GDP

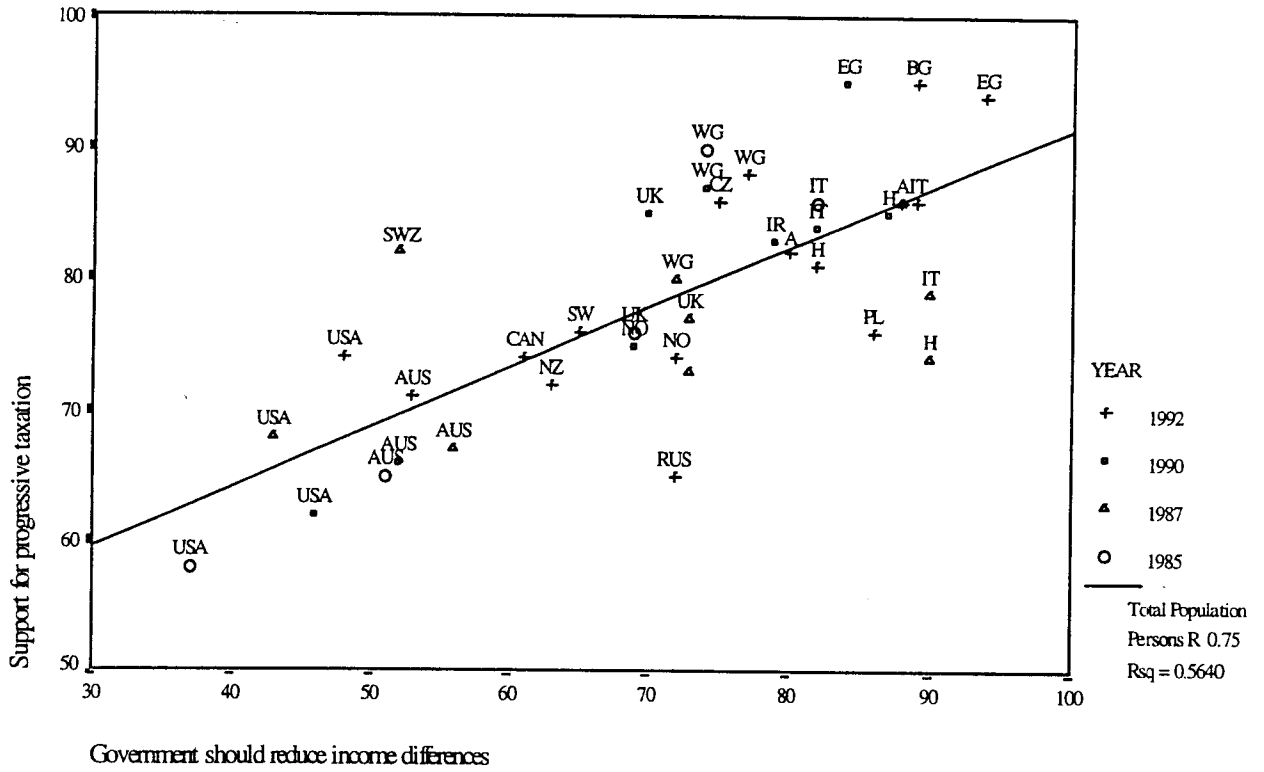
Figure 8: Support for progressive taxation by progressivity rate



Source: LIS, ISSP

Note: Entries are means and progressivity rate as reported in table 2.

Figure 9: Support for progressive taxation by demand for government redistribution.



Source: ISSP

Note: Entries are percentages. Question wording: "It is the responsibility of the government to reduce the differences in income between people with high incomes and those with low income". Percentages show those who 'agree' or 'strongly agree' to the statement. For progressivity question wording see figure 6.