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Political Ideology and the Intragenerational Prospect of Upward Mobility

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Political Ideology and the Intragenerational Prospect of Upward Mobility

Abstract

We examine the effect of prospects of upward mobility (POUM) on the support for redistribution in an intragenerational context. In this context, existing literature so far fails to consider the potential indirect channel via political ideology through which mobility expectations affect redistributive preferences. We address this by including an interaction between income mobility and political ideology, such that the POUM-effect is allowed to vary with political beliefs. We find a robust POUM-effect that is conditional on political preferences. Only for right-wing individuals expected upward income mobility negatively affects support for redistribution. Left-wing individuals on the other hand prefer redistribution, regardless of expected upward income movements.

JEL-Codes: D300, D720, J690.

Keywords: the POUM-effect, political ideology, income mobility, redistribution, preferences.

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1. Introduction

Governments spend major shares of GDP on redistribution and social transfers.¹ This explains the long history of studies into the determinants of redistribution and the influence of political ideology and inequality aversion. Seminal contributions by Meltzer and Richard (1981) and Dixit and Londregan (1998) brought forward an entire literature on political attitudes and redistribution or redistributive preferences (see for example Alesina and Angeletos, 2005; Alesina and Giuliano, 2011; Case, 2001; Feld, 2000; Olivera, 2015; Page and Goldstein, 2016; Roemer 1998, 1999).

Another factor determining redistributive preferences is the so-called prospect of upward mobility (POUM) hypothesis that is pioneered by Benabou and OK (2001). According to this POUM hypothesis, individuals expecting future upward income movements might rationally demand lower levels of redistribution. Even though they would benefit from it based on their current income. The POUM hypothesis has generated a number of studies searching for evidence (e.g. Alesina and La Ferrara, 2004; Checchi and Filipin, 2003; Cojocaru, 2014; Corneo and Gruner, 2002; Rainer and Siedler, 2008; Ravallion and Lokshin, 2000).² The consensus among these studies is that an increase in income mobility (whether actual or perceived) leads to less support for redistribution.

Recent studies focusing on POUM-effects aim to take the role of political beliefs and attitudes into account when studying income mobility. Buscha (2012) finds that individuals that expect their financial situation to improve over time are more right-wing, whereas those that expect a deterioration are more left-wing. Furthermore, he finds that individuals are more likely to support a conservative party if they expect upward income mobility and have right-wing political preferences. Whereas these findings suggest an indirect link between expectations of upward mobility and redistributive preferences through political beliefs, Buscha (2012) does not examine preferences. Alesina et al. (2018) do consider preferences for redistribution and political beliefs by studying how perceptions of mobility affect support for redistributive policies distinguishing between left- and right-wing individuals. In an intergenerational context, these authors find a strong link between support for redistributive policies and perceptions of income mobility, however, they also find that this link is conditional on political ideology.

In this paper, we study the role of ideology on the relation between mobility expectations and preferences for redistribution from an intragenerational perspective. Unlike Alesina et al. (2018), we take into consideration the influence of life-cycle earnings by focusing on those individuals for which the POUM-effect is most relevant. As such, we aim to give a more precise account of the conditional effect of expected upward mobility on the preferred level of redistribution. Apart from the difference between intergenerational mobility and intragenerational mobility, our paper makes another important contribution. That is, whereas Alesina et al. (2018) study perceptions of individuals about mobility opportunities on a country-level, we consider expected income mobility on an individual-level. In other

¹ For example, public social expenditures totals 22% of Dutch GDP (OECD average: 21%, 2016) and over 50% of total expenditure of the Dutch government is dedicated to social expenditures (OECD average: 45%, 2013). Source: OECD.Stat.

² Only few studies have further developed the theory. See e.g. Dorsch (2010) or Feri (2012).

words, we look at how an individuals' expectations of own income mobility relates to their preferences for redistribution, and how this relation is affected by political ideology.

To study the relation between political ideology and the prospect of intragenerational upward mobility, we use survey data obtained from the CentERdata panel that consists of a representative sample of Dutch households. Pre-viewing our results, we find a statistically significant POUM-effect on redistributive preferences: individuals that expect upward income movements have a lower preference for redistribution compared to those not expecting upward mobility. However, we find that this POUM-effect runs through political beliefs. Expected upward income mobility only affects redistributive preferences when respondents have right-wing political beliefs. For those with centre or left-wing political beliefs, expected upward income mobility has no effect on preferences. Regardless of what these individuals expect to earn in the future, they prefer a society with redistribution over one without.

The paper continues as follows. In the next section, we describe our data. In section 3 we present our main results, as well as sensitivity checks using different measures to capture redistributive preferences. In section 4, we discuss our findings and conclude.

2. Data and Model

Our dataset consists of 2453 observations and was gathered by CentERdata.³ This institute has access to over 2000 households, which together form a representative panel of the Dutch population. In March 2016 an invitation to participate in our survey was sent to all panel-members, of which 79.8 percent responded. The survey included questions on political preferences, current income position, future income expectations and beliefs regarding the desired level of redistribution. Additionally, we asked respondents a broad set of questions concerning their socio-economic background.

To examine whether there is a POUM-effect that is conditional on political ideology, we focus on the respondents aged between 25 and 54. We focus on this age group for four reasons. Firstly, we concentrate on intragenerational mobility, which means we should consider the influence of life-cycle earnings profiles. As argued by Benabou and Ok (2001), the heterogeneity of a person's earnings over the course of his or her life could be an influential factor in how mobility expectations affect preferences for redistribution. We take into account this heterogeneity by focussing our identification on individuals that are of working age and have a prospect of climbing the income ladder in the remainder of their careers. In other words, considering the concavity of life-cycle earnings (see e.g. Blundell et al., 2015; Mincer, 1974; Polachek, 2008) our identification rests on those individuals for which upward income mobility over time is within possibility. Secondly, earlier studies find that POUM-effects are, generally, found among individuals that are younger, more educated and less likely to be employed (Cojocaru,

³ CentERdata is a Dutch institute for data collection and research. This institute sets out surveys on request of academic, public and private institutions.

2014). As such, our focus is on those individuals for which the theory is most relevant. Thirdly, individuals at later stages in their life are more likely to be in or go into retirement, and thus, more likely to consider intergenerational factors. Given the substantial literature on the relation between pension schemes, social security programs, retirement decisions and labour force participation (see Gruber and Wise, 1999 & 2004), we exclude those respondents for which pension considerations are relevant. Fourthly and related to the latter argument, the survey questions we use to measure upward mobility expectations ask about expected income 10 years from today. We, thus, also exclude respondents aged between 55 and 64, who are considering pension income when asked about their future income.⁴

Table 2.1 shows summary statistics of respondents' characteristics; the second column for the full sample characteristics and the third column for the respondents aged between 25 and 54. As would be expected, net household income and the amount of people employed is higher for the age group we consider for identification.

Table 2.1. Summary statistics of respondent's characteristics - full sample and sample restricted to ages 25-54

| Variable | Full Sample | | | Ages 25-54 | | |
|---------------------------------------|-------------|------|-------|------------|------|-------|
| | Mean | S.D. | N | Mean | S.D. | N |
| Age | 54 | 17 | 2,453 | 40 | 8 | 1093 |
| Household income (monthly; net) | 2820 | 1391 | 2,449 | 3180 | 1427 | 724 |
| Women (in percentages) | 49 | - | 2,453 | 56 | - | 1,093 |
| Employed (in percentages) | 51 | - | 2,453 | 82 | - | 1,093 |
| Married (in percentages) | 77 | - | 2,453 | 80 | - | 1,093 |
| Religious (Christian; in percentages) | 17 | - | 2,453 | 15 | - | 1,087 |

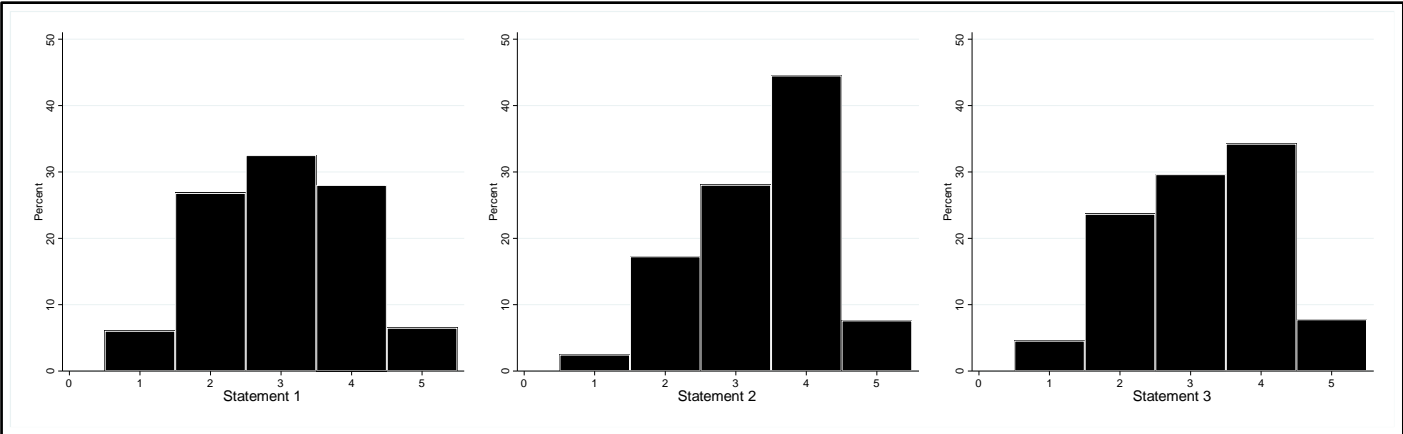
Note: Average Dutch net household income in 2014, the most recently available year, was 35,000 euro. This results in 2917 euro on a monthly basis. Source: Central Bureau of Statistics Netherlands. Religiosity is based on whether a respondent votes for a Christian political party.

In line with the literature, we measure respondents' redistributive preferences using statements that ask about beliefs regarding redistribution. Most studies use one statement to capture these preferences (e.g. Alesina and La Ferrara, 2005; and Corneo and Gruner, 2002). We use three statements: (1) '*The government should tax the rich and subsidize the poor*', (2) '*Everyone should be rewarded by effort and performance, even when this leads to income differences*' and (3) '*Income differences between the rich and the poor should be reduced as much as possible*'. The first statement mentions a means for the government to achieve redistribution. The second statement touches upon beliefs about reasons that might justify income differences. The third statement deals with feelings towards income differences more generally and more explicitly: should there be any difference in income at all? All three statements, thus, capture different aspects of redistributive preferences. We asked the respondents to what extent they agree with these statements on a 5-point Likert scale ranging from completely disagree to completely agree. A high score on the first and the third statements and a low score on the second statement indicate a strong preference for redistribution.

⁴ We also do not include respondents under the age of 25 for two reasons. Firstly, the number of observations is very small in this age category (77). Secondly and more importantly, most of the respondents either still live at home or are students. Therefore, any expectations on future income might be based on total family income.

Figure 2.1 shows the distribution of responses to the redistribution statements for the respondents aged 25-54. The majority chooses the neutral option when it comes to taxing the rich and subsidizing the poor, and about the same amount of respondents agree (35 percent) with the statements as disagree (33 percent) with it. Considering the second statement, more than half of the respondents believe that some income differences are allowed, as long as rewards are based on effort and performance. Still, the majority of respondents believe income differences should be reduced as much as possible (statement 3, 42 percent). However, 28 percent disagrees with the statement. The correlation between the statements ranges from -0.26 (statements 1 and 2) and -0.38 (statements 2 and 3) to 0.60 (statements 1 and 3). To capture preferences for redistribution in one variable, we conduct a factor analysis using the three statements. Results show that the statements are well-represented by one factor, which we interpret as measuring redistributive preferences. Factor loadings can be found in the appendix. As our main dependent variable we use the predicted factor scores, which we label ‘preference for redistribution’. Factor scores are standardized and continuous, which allows us to estimate the model with OLS. However, we check the robustness of our findings by using the statements as dependent variables, and estimate our model with both OLS and ordered Probit methods.

Figure 2.1. Histograms of the preferences for redistribution statements (in percentages)



Note: These graphs show the distribution of opinions on the redistribution statements for respondents between 25 and 54. The left panel shows redistribution statement 1 (*The government should tax the rich and subsidize the poor*). The centre panel shows redistribution statement 2 (*Everyone should be rewarded by effort and performance, even when this leads to income differences*). The right panel shows redistribution statement 3 (*Income differences between the rich and the poor should be reduced as much as possible*). The scale ranges from 1 (completely disagree) to 5 (completely agree). For statements 1 and 3, a high score indicates a preference for redistribution; for statement 2 this is indicated by a low score.

We measure respondents’ subjective views towards the prospect of upward income mobility with three survey questions. We use these to create two measures of upward income mobility.⁵ The first, which we refer to as the ‘absolute’ question is posed as follows: ‘*Would you say your income position in about ten years will be worse, the same or better than now?*’ The resulting dummy variable is equal to 1 if the respondent answered that he/she expects his/her income position to be better in the future and 0

⁵ We choose to focus on subjective measures based on empirical results, see Alesina and La Ferrara (2005), Ravallion and Lokshin (2000) and Rainer and Siedler (2008).

otherwise. The second question captures ‘relative’ expectations regarding future income: ‘*How high do you expect your income to be in comparison to others in about ten years?*’⁶ Here, respondents answer on a 5-point Likert scale ranging from considerably below average to considerably above average. To create our relative measure of upward mobility, we combine this with respondents’ answers to the following question: ‘*Compared to others, how high do you think your current income is?*’ Again, respondents answer on a 5-point Likert scale ranging from considerably below to considerably above average. Combining these questions, our relative measure of mobility is a dummy equal to 1 when respondents judge their income in ten years to be higher than their current income (compared to others), and 0 otherwise. For example, a respondent that views his/her current income as below average, but expect his future income to be either average, above average, or considerably above average is considered to expect upward income mobility.

To investigate the prevalence of expected upward income movements, we relate respondents’ views regarding their future income to their view of their current income relative to others. Table 2.2 shows a cross-tabulation of current income and future expectations (relative to others). As with our relative measure of mobility, we define expected upward movements as believing income to be higher in the future than today (compared to others). These cells are marked light-grey. Expected downward mobility is defined as expecting future income to be lower than today’s income (relative to others). These cells are marked dark-grey. In our sample, the majority (73 percent) expects no income movements in the upcoming 10 years. 9 percent (101 respondents) expect downward mobility whilst 18 percent (191 respondents) expects upward mobility. Furthermore, out of those expecting upward mobility, 48 percent (92 respondents) expects their income to be above average in the future.

Table 2.2. Counts and percentages (of the total amount) of self-indicated current income and expected future income of respondents relative to others

| Expected Future Income → | <i>Considerably below average</i> | <i>Below average</i> | <i>Average</i> | <i>Above average</i> | <i>Considerably above average</i> | Total |
|-----------------------------------|-----------------------------------|----------------------|----------------|----------------------|-----------------------------------|--------------|
| Current Income ↓ | | | | | | |
| <i>Considerably below average</i> | 22 / 2.0% | 11 / 1.0% | 10 / 0.9% | 3 / 0.2% | 2 / 0.2% | 48 / 4.4% |
| <i>Below average</i> | 5 / 0.5% | 82 / 7.5% | 78 / 7.1% | 10 / 0.9% | 0 / 0.0% | 175 / 15.9% |
| <i>Average</i> | 1 / 0.1% | 38 / 3.5% | 423 / 38.5% | 57 / 5.2% | 2 / 0.2% | 521 / 47.4% |
| <i>Above average</i> | 1 / 0.1% | 5 / 0.5% | 40 / 3.6% | 246 / 22.4% | 18 / 1.6% | 310 / 28.2% |
| <i>Considerably above average</i> | 0 / 0.0% | 0 / 0.0% | 0 / 0.0% | 11 / 1.0% | 23 / 2.1% | 34 / 3.1% |
| Total | 29 / 2.7% | 136 / 12.4% | 551 / 50.2% | 327 / 29.8% | 45 / 4.1% | 1,088 / 100% |

Note: In this table, the distribution (in counts and percentages) of the total amount of respondents between 25-54 of current income and expected future income is shown. In the rows, respondents’ views on their current income relative to others is shown. This is cross-tabulated with respondents’ expectation of their future income relative to others, which can be found in the columns.

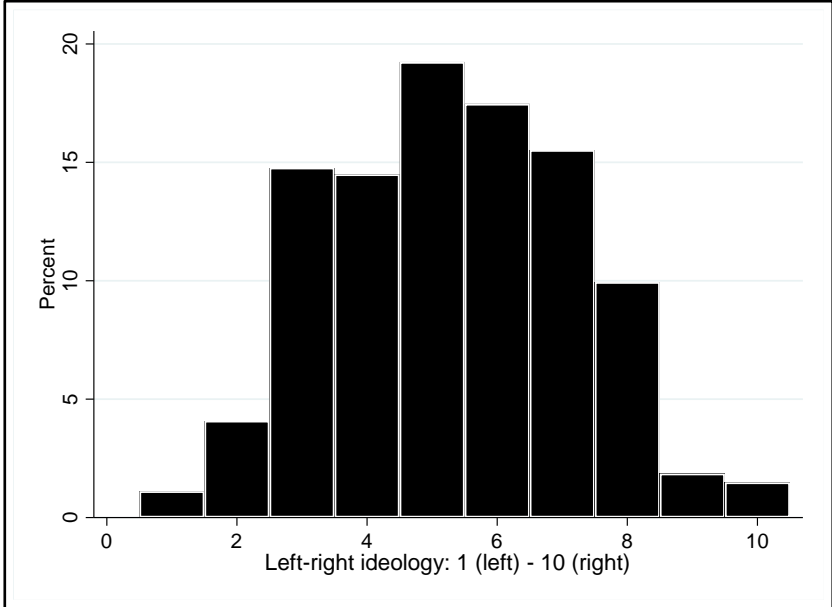
We measure respondents’ left-right political ideology on a linear scale that ranges from 1 (left-wing) to 10 (right-wing) using the question: ‘*In politics people usually speak of the left and the right. Where would you place your own political ideas?*’ The mean of this self-reported score is 5.3 (std. dev. 1.9).⁷

⁶ With relative we mean expected income in comparison to something else, here: other people’s income. We do not mean relative in the sense of connectedness, i.e. affiliated or associated.

⁷ The full-sample mean is also 5.3 with a standard deviation of 1.9.

Figure 2.2 shows the corresponding distribution of left-right ideology. In all subsequent analyses, we distinguish between respondents with left-wing ideology, centre ideology and right-wing ideology. Subjects with self-reports smaller than or equal to 4 are considered ‘left’. Those with self-reports larger than or equal to 7 are consider ‘right’. Respondents with a self-reported score of 5 or 6 are in the centre of the political spectrum. For each of the 3 categories we construct dummies.⁸

Figure 2.2. Distribution of left-right ideology (in percentages)



Note: This graph shows the distribution of left-right ideology for respondents between 25 and 54. The left-right scale ranges from 1 (left) to 10 (right). We asked respondents: ‘In politics people usually speak of the left and the right. Where would you place your own political ideas?’

To see whether and how ideology affects the relation between expected upward mobility and redistributive preferences, we first relate political beliefs to mobility expectations using our absolute measure of expected upward mobility. In table 3.1 we show the prevalence of respondents expecting upward mobility split according to self-reported left-wing, centre and right-wing ideology. There are 1091 respondents in our sample, for which we have information on both their (absolute) expected mobility and their political beliefs. 34 percent has left-wing ideology, 36 percent considers themselves to be in the centre of the political spectrum and 30 percent has right-wing ideology. Table 3.1 tells us that 33 percent of all respondents in the sample expect upward income movements versus 67 expecting no or downward movements (based on the absolute measure). But what happens when we consider differences in political beliefs? The table shows that 31 percent of left-wingers and 28 percent of the respondents with centre beliefs expect upward income movements. Right-wingers expect the most upward income mobility: 40 percent versus 60 percent that expect no or downward mobility. Based on a Chi-squared test of association on the cross tabulation, we reject the null hypothesis that mobility and political ideology are independent (test-statistic = 13.11, p-value = 0.001).

⁸ If we consider self-reports from 1-3 to be left-wing; 4-7 to be centre; and 8-10 to be right-wing ideology, and redo the analyses, it does not affect our main results and conclusions.

Table 3.1. Counts and percentages of respondents expecting upward mobility by political ideology

| | Left-wing | Centre | Right-wing | Total |
|------------------------------------|------------------|---------------|-------------------|--------------|
| No expected upward mobility | 255 / 69% | 285 / 72% | 194 / 60% | 734 / 67% |
| Expected upward mobility | 116 / 31% | 110 / 28% | 131 / 40% | 357 / 33% |
| Total | 371 / 100 % | 395 / 100% | 325 / 100% | 1,091 / 100% |

Note: The absolute measure is used to measure expected upward mobility. Political ideology is split out according to left-centre-right ideology. A self-report between 1-4 is considered left-wing and a self-report between 7-10 right-wing. Self-reports of 5 and 6 indicate centre ideology.

Based on these descriptive findings, it seems that there is a relation between upward income mobility expectations and political beliefs. As such, our expectations regarding a POUM-effect conditional on ideology are reinforced. We estimate the following model that is designed to capture this:

$$\begin{aligned} \text{Preferences for redistribution} = & \beta_0 + \beta_1 \text{Upward mobility}_i + \beta_2 \text{Centre ideology}_i + \\ & \beta_3 \text{Upward mobility}_i * \text{Centre ideology}_i + \beta_4 \text{Right ideology}_i + \beta_5 \text{Upward mobility}_i * \\ & \text{Right ideology}_i + \gamma Z_i + \varepsilon_i, \end{aligned}$$

where Z_i is a vector containing our control variables and ε_i the error term. Our dependent variable measures preferences for redistribution and variables of interest are income mobility expectations and political ideology. The focus is, however, on the included interactions between mobility and political beliefs.⁹ These interactions allow us to test for any conditional effects, and as such, we can answer our main research question: is the effect of intragenerational prospect of upward mobility on redistributive preferences conditional on political ideology?

We follow existing literature and control for a range of individuals characteristics, including subjective (i.e., how easy it is to make ends meet) and objective (i.e., net household income) measures of current income position, education levels, gender, age, marital status, employment status, the number of children and whether respondents are religious.¹⁰ Additionally, we control for the degree of risk-aversion. We present estimation output as well as the marginal effects of income mobility on redistribution for the three (i.e., left, centre and right) ideological groups.¹¹

We expect pro-redistributive beliefs among left-wing individuals and vice versa for those with more right-wing beliefs. Furthermore, in line with existing research we expect expectations of upward mobility to negatively affect redistributive preferences. However, this effect is believed to (partly) run through political ideology.

⁹ Note that respondents that indicated to be left-wing are the reference category in our model and estimations.

¹⁰ See e.g. Alesina et al. (2018), Alesina and Giuliano (2011), Fong (2001), Guillaud (2013), and Olivera (2015). Additionally, race is one of the standard controls in research on redistributive preferences. Unfortunately, our dataset does not contain information on the race or origin of our respondents. With regards to risk aversion, as Benabou and Ok (2001) argue, only individuals that are not too risk-averse can be affected by a POUM-effect, as it is risk-averse individuals that also view redistribution as insurance against downward income movements (for empirics see Cojocaru (2014)).

¹¹ The education variable is denoted in the amount of years needed (on average) to obtain a specific educational degree, i.e. the higher this variable, the higher level of obtained education. In the Dutch education system, this leads to the following scoring: 6 years (elementary school) / 8 years (low-level secondary education) / 10.5 years (vocational education) / 11.5 years (high-level secondary education) / 14 (low-level (applied) university education) / 16.5 (high-level university education). The religion dummy is a proxy based on whether a respondent has voted for a Christian political party during the last governmental election. The subjective measure of household income asks respondents how easy it is for them to make ends meet. The corresponding scale ranges from 1 (very difficult) to 5 (very easy). The household income categories are 1) lower than 1150 euro, 2) between 1151-1800 euro, 3) between 1801-2600 and 4) more than 2600 euro.

3. Results

Table 3.2 shows the estimation results using the absolute measure of upward mobility as dependent variable in column (1) and the relative measure in column (2). As to our main research question, we first focus on the signs and significance of the estimated coefficient of the interaction terms. Considering centre ideology, the interaction effect with upward mobility captured with the absolute measure is insignificant. The interaction between centre ideology and upward mobility is marginally significant (at the 10% level). This suggests that for this ideological group expecting upward income movement has a negative effect on preferences for redistribution compared to when no or downward income mobility is expected. However, this results is dependent on the measure of mobility that is used. For right-wing respondents we find negative and significant (at the 1% and 5% level) coefficients of the interaction terms for both mobility measures. This shows that for right-wingers there is a conditional effect of mobility expectations on preferences for redistribution. We find that, while right-wing respondents have a lower preference for redistribution to begin with, those also expecting upward income movements prefer even less redistribution.

Furthermore, we find that both ideology dummies are negative and significant at the 1% level. When no upward mobility is expected, both centre and right-wing respondents have a lower preference for redistribution compared to left-wing respondents. This effect of ideology is an established outcome (e.g. Alesina et al., 2018; Alesina and Giuliano, 2011; and Olivera, 2015). Table 3.2. also shows that both dummies measuring expected upward mobility are insignificant. We, thus, find no effect of upward mobility on redistributive preferences for our left-wing respondents.

Additionally, we can infer from table 3.2 that an increase in the (subjective) current income position of respondents leads to less support for redistribution. The easier it is for people to make ends meet, the less redistribution is preferred. Being more risk-loving also reduces the support for redistribution. Moreover, employed individuals and individuals with higher education prefer less redistribution as well. These findings confirm earlier research on redistributive preferences (e.g. Alesina and Giuliano (2011); Fong (2001); and Guillaud (2013)).

Table 3.2. OLS estimation results using ‘Preferences for redistribution’ as dependent variable and left-centre-right dummies

| Dependent variable: Preferences for redistribution (reference: left-wing) | (1) Absolute Measure | (2) Relative Measure |
|--|---------------------------------|---------------------------------|
| Dummy expectation of upward income mobility | -0.091 (0.130) | 0.151 (0.142) |
| Centre ideology | -0.654*** (0.102) | -0.657*** (0.095) |
| Dummy expectation of upward income mobility x centre | -0.166 (0.175) | -0.347* (0.206) |
| Right-wing ideology | -0.894*** (0.122) | -1.013*** (0.109) |
| Dummy expectation of upward income mobility x right-wing | -0.488*** (0.189) | -0.515** (0.227) |
| Risk averse - risk loving | -0.042* (0.021) | -0.043** (0.022) |
| Education | -0.073*** (0.015) | -0.079*** (0.015) |
| Dummy female | 0.008 (0.072) | 0.044 (0.072) |
| Age | -0.002 (0.005) | 0.002 (0.005) |
| Dummy married | 0.004 (0.109) | 0.006 (0.111) |
| Dummy employed | -0.263*** (0.098) | -0.236** (0.099) |
| It is difficult to make ends meet (ref: very difficult) | -0.219 (0.296) | -0.148 (0.290) |
| We exactly make ends meet (ref: very difficult) | -0.371 (0.290) | -0.291 (0.285) |
| It is easy to make ends meet (ref: very difficult) | -0.676** (0.295) | -0.598** (0.290) |
| It is very easy to make ends meet (ref: very difficult) | -1.040*** (0.316) | -0.957*** (0.310) |
| Household income category 2 (ref: category 1) | 0.239 (0.173) | 0.222 (0.174) |
| Household income category 3 (ref: category 1) | 0.105 (0.168) | 0.092 (0.169) |
| Household income category 4 (ref: category 1) | -0.204 (0.171) | -0.233 (0.172) |
| Dummy religious | -0.044 (0.110) | -0.019 (0.110) |
| Children | -0.008 (0.035) | -0.004 (0.034) |
| Constant | 2.470*** (0.460) | 2.224*** (0.456) |
| Observations | 1,068 | 1,065 |
| Adj. R-squared | 0.267 | 0.255 |
| F-statistic | 20.330 | 20.075 |
| (p-value) | 0.000 | 0.000 |

Note: OLS regression results are displayed with robust standard errors clustered at the household level (in parentheses). Significance is indicated as follows: *** p<0.01, ** p<0.05, * p<0.1. The dependent variable is the factor ‘preferences for redistribution’. The sample consists of respondents aged between 25-54. In column 1, the dummy indicating expected upward mobility is created using the absolute measure; in column 2, using the relative measure. Political ideology is captured with left-centre-right dummies. The reference group consists of respondents with left-wing ideology. See footnote 11 for a description of the education, religion and household income variables. A high score on ‘risk averse - risk loving’ indicates risk-loving; ‘children’ is the number of children living at home.

In order to gain more insight into the conditional effect of mobility we calculate the average marginal effects of upward mobility expectations for left-wing, centre and right-wing respondents. These marginal effects, which can be found in table 3.3, confirm our earlier findings. There is no effect of upward mobility on redistributive preferences for left-wing respondents. For these individuals, expecting to earn more in the future does not affect their preferred level of redistribution today. However, for both measures of mobility expectations, we find a negative and significant marginal effect of mobility expectations for right-wing respondents. Identifying with right-wing ideology and expecting upward income movement leads to lower support for redistribution. Considering respondents with centre-ideology, we find a negative and significant (at the 10% level) effect of upward mobility when relying on the absolute measure. However, there is no statistical difference between the marginal effects of the left-wing and centre respondents (as shown by the insignificance of the interaction term in table 3.2). The marginal effect of upward mobility expectation on preferences for right-wingers, however, is statistically different from the left-wingers. For the relative measure, we find no significant marginal effects.¹²

All-in-all, we find a POUM-effect on redistributive preferences, which is conditional on having right-wing political beliefs.¹³ Our results indicate no such effects for left-wing ideology and no robust effects for centre ideology. As such, we find a conditional POUM-effect, in which right-wing ideology and mobility expectations work as complements.

Table 3.3. Marginal effects of expecting upward income mobility on preferences for redistribution (measured as factor) for left-wing, centre and right-wing ideology

| Dependent variable: | (1) | (2) |
|---------------------------------------|-------------------------|-------------------------|
| Preferences for redistribution | Absolute Measure | Relative Measure |
| Left-wing ideology | -0.091 (0.130) | 0.151 (0.142) |
| Centre ideology | -0.257* (0.132) | -0.196 (0.161) |
| Right-wing ideology | -0.579*** (0.145) | -0.364* (0.186) |
| Observations | 1,068 | 1,065 |

Note This table shows marginal effects of expected downward mobility for left-wing, centre and right-wing ideology on preferences for redistribution. Standard errors are in parentheses. Significance is indicated as follows: *** p<0.01, ** p<0.05, * p<0.1. The marginal effects are calculated from coefficients estimated using an OLS specification. The dependent variable is the factor 'preferences for redistribution'. In column 1 mobility is measured with the absolute measure. In column 2 the relative measure is used.

¹² The marginal effect of having centre ideology on preferences is significantly different from the left-wing effect, as indicated by the significance (at the 10% level) of the interaction term in table 3.2. However, it is not significantly different from zero. As such, the effect among centre-ideologists is not very robust.

¹³ Three notes should be mentioned here. Firstly, using left-right ideology as a linear variable does not affect our main results. In this specification we also find a POUM-effect conditional on ideology. Depending slightly on the measure of expectations that is used, mobility expectations negatively affect redistributive preferences for respondents with a self-reported score that is larger than or equal to 4 on the 10-point scale. Moreover, the POUM-effect becomes more negative, the more right-wing a respondent is (i.e., the higher the self-report). Output tables and marginal effects plots can be found in the appendix. Secondly, we conducted similar exercises for expectations of downward income mobility (measure based on the 'absolute' survey question) and we do not find significant interaction effects with ideology. Thirdly, when we change the sample to either respondents aged between 25-64 or to all respondents above 25, we do not find robust POUM-effects conditional on ideology, i.e. no interaction effects that are robust over mobility/ideology measures and sample. Results are available on request.

3.1 Robustness: the statements as measures of redistributive preferences

To see whether this conditional POUM-effect is sensitive to our measure of redistributive preferences, we present results using the three statements separately as dependent variables in table 3.4. In columns 1&2, the dependent variable is the first redistribution statement: *'The government should tax the rich and subsidize the poor'*. In columns 3&4, redistributive preferences are measured with the second statement: *'Everyone should be rewarded by effort and performance, even when this leads to income differences'*. To facilitate comparison, we rescale this variable such that high values correspond to disagreeing with the statement, and thus with a preference for redistribution. In columns 5&6, the third statement, *'Income differences between the rich and the poor should be reduced as much as possible'*, is the dependent variable.¹⁴

The results in table 3.4 show that, over most specifications, having centre or right-wing ideology has a negative and significant effect on redistributive preferences (compared to the reference group of left-wing respondents). As such, we confirm our findings from before. We also find a negative conditional effect of upward mobility expectations via right-wing ideology, when measuring preferences with redistribution statement 1 and 2 (see columns 1-4). This confirms our previous findings as well. We even find a negative conditional effect for respondents with centre ideology when capturing preferences with the second redistribution statement. As such, it also holds for this ideological group that expecting upward income movement reduces preferences for redistribution more than when no upward movements are expected. When we measure redistributive preferences with the third statement, however, we do not find any conditional effects through ideology.

¹⁴ We present OLS estimates; however, results and conclusions are unchanged when estimating ordered Probit models.

Table 3.4. OLS estimation results with the 3 redistribution statements as dependent variables and left-centre-right dummies as measure of ideology

| Dependent variable (reference: left-wing) | (1) | (2) | (3) | (4) | (5) | (6) |
|--|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | Stat. 1 <i>Absolute</i> | Stat. 1 <i>Relative</i> | Stat. 2 <i>Absolute</i> | Stat. 2 <i>Relative</i> | Stat. 3 <i>Absolute</i> | Stat. 3 <i>Relative</i> |
| Dummy expectation of upward income mobility | 0.084 (0.110) | 0.243* (0.127) | 0.041 (0.105) | 0.127 (0.122) | -0.192* (0.106) | -0.028 (0.116) |
| Centre ideology | -0.432*** (0.083) | -0.455*** (0.077) | -0.103 (0.083) | -0.134* (0.076) | -0.538*** (0.082) | -0.517*** (0.077) |
| Dummy expectation of upward income mobility x centre | -0.199 (0.147) | -0.254 (0.175) | -0.317** (0.145) | -0.399** (0.179) | 0.019 (0.143) | -0.147 (0.176) |
| Right-wing ideology | -0.546*** (0.099) | -0.634*** (0.089) | -0.352*** (0.089) | -0.403*** (0.080) | -0.698*** (0.094) | -0.769*** (0.084) |
| Dummy expectation of upward income mobility x right-wing | -0.474*** (0.156) | -0.565*** (0.182) | -0.374*** (0.137) | -0.513*** (0.161) | -0.162 (0.149) | -0.104 (0.192) |
| Observations | 1,077 | 1,074 | 1,076 | 1,073 | 1,078 | 1,075 |
| Constant & Controls? | YES | YES | YES | YES | YES | YES |
| Adj. R-squared | 0.179 | 0.173 | 0.119 | 0.116 | 0.228 | 0.217 |
| F-statistic | 13.687 | 13.781 | 9.047 | 9.803 | 16.989 | 16.552 |
| (p-value) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |

Note: OLS regression results are displayed with robust standard errors clustered at the household level (in parentheses). Significance is indicated as follows: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. The regression model included a constant and the same control variables are used in these regressions as in table 3.3. The sample consists of respondents aged between 25-54. In columns 1&2, the dependent variable is redistribution statement 1 (*The government should tax the rich and subsidize the poor*). In column 3&4, it is redistribution statement 2 (*Everyone should be rewarded by effort and performance, even when this leads to income differences*), which is rescaled such that high values correspond to disagreeing with the statement. In column 5&6 redistribution statement 3 (*Income differences between the rich and the poor should be reduced as much as possible*) is the dependent variable. In column 1, 3 and 5, expected upward mobility is measured using the absolute measure; in column 2, 4 and 6, using the relative measure. Political ideology is captured with left-centre-right dummies. The reference group consists of respondents with left-wing ideology.

When we calculate average marginal effects for the three ideological groups based on the estimation outcomes in table 3.4, most of our findings are confirmed. When measuring redistributive preferences with statements 1 and 2, we find a POUM-effect that is conditional on political preferences. For individuals with right-wing political ideology compared to those with left-wing ideology, expecting upward income movements has a negative effect on the preferred level of redistribution. The same holds for respondents with centre ideology, but only when statement 2 is used. A new finding is the significant (at the 10%-level) positive marginal effect for left-wingers in column 2 (statement 1, relative measure). This suggests an effect of mobility for left-wingers that is opposite from that for right-wingers. However, this finding is not very robust.

If we consider the marginal effects in columns 5&6, we find no significant effects of mobility expectations on preferences, when measuring mobility with the relative measure. If we use the absolute measure of mobility, however, the marginal effects for left-wing and right-wing respondents are both

negative and significant, whereas the marginal effect for centre respondents is not. Nevertheless, the estimation results in table 3.4 show that the interaction terms for centre and right-wing ideology (column 5) are both insignificant. Therefore, we find that the effect of upward mobility is not conditional on ideology when capturing redistributive preferences with statement 3 and capture mobility with the absolute measure. In other words, there is no statistical difference between the marginal effects for the three ideological groups. We, thus, find a POUM-effect conditional on ideology when we measure redistributive preferences with statement 1 and 2, but we do not find one when using statement 3. If we consider the differences between the three redistributive statements might, however, we might be able to shed some more light on these findings. Whereas in statements 1 and 2 redistribution is the derivative of something else, in statement 3 it is the explicit (maybe even ultimate) goal. This suggests that differences in income can still exist within what is implied by statements 1 and 2, whereas this is much less so (or even not at all) for statement 3. Our results, thus, seem to indicate that the debate on whether there should ever be any differences in income does not distinguish individuals along ideological lines. Instead, the distinguishing feature seems to be whether something should be done about it.¹⁵

Table 3.5. Marginal effects of expecting upward income mobility on preferences for redistribution (measured with redistribution statements) for left-wing, centre and right-wing ideology

| Dependent variable | (1) | (2) | (3) | (4) | (5) | (6) |
|---------------------|----------------------|---------------------|----------------------|----------------------|----------------------|-------------------|
| | Stat. 1 | Stat. 1 | Stat. 2 | Stat. 2 | Stat. 3 | Stat. 3 |
| | <i>Absolute</i> | <i>Relative</i> | <i>Absolute</i> | <i>Relative</i> | <i>Absolute</i> | <i>Relative</i> |
| Left-wing ideology | 0.084 (0.110) | 0.243* (0.127) | 0.041 (0.105) | 0.127 (0.122) | -0.192* (0.106) | -0.028 (0.116) |
| Centre ideology | -0.116 (0.109) | -0.011 (0.130) | -0.275** (0.110) | -0.272* (0.142) | -0.173 (0.107) | -0.175 (0.139) |
| Right-wing ideology | -0.390*** (0.117) | -0.322** (0.136) | -0.333*** (0.098) | -0.386*** (0.115) | -0.354*** (0.113) | -0.132 (0.160) |
| Observations | 1,077 | 1,074 | 1,076 | 1,073 | 1,078 | 1,075 |

Note: This table shows marginal effects of expected upward mobility for left-wing, centre and right-wing ideology on preferences for redistribution. Standard errors are in parentheses. Significance is indicated as follows: *** p<0.01, ** p<0.05, * p<0.1. The marginal effects are calculated from coefficients estimated using an OLS specification. The dependent variables are the 3 redistribution statements (statement 1 in columns 1&2; statement 2 in 3&4; statement 3 in 5&6). In columns 1, 3 and 5 mobility is measured with the absolute measure. In columns 2, 4 and 6 the relative measure is used.

4. Conclusion

In this paper, we examine the effect of income mobility expectations on preferences for redistribution in an intragenerational context, while taking into account the interaction between income mobility and political beliefs. As such, we investigate the indirect channel via ideology through which mobility

¹⁵ As with our main results, the results in this section are confirmed if we measure ideology linearly. Output tables and marginal effects plots can be found in the appendix. Moreover, for downward income mobility we do not find significant interaction effects with ideology. For statement 1 and 2, we find in some cases (depending on mobility/ideology measures and sample) significant negative interaction effects of upward mobility via ideology for samples with respondents aged between 25-64 or 25 and up, but results are not robust over all measures and samples. We find no interaction effects in these age samples for statement 3. Results are available on request.

expectations influence redistributive preferences within an individual's life-time. Earlier findings are either suggestive of such an indirect relation (Buscha, 2012) or indicative of its existence in an intergenerational context (Alesina et al., 2018).

In this study we focus on intragenerational mobility. For this reason, our identification rests on individuals aged between 25 and 54. By considering this age group only, we take into account the effect that life-cycle earnings, due to its concavity over time (e.g. Blundell et al., 2015; Mincer, 1974; Polachek, 2008), might have on a person's mobility expectations. And as such, we also consider that there can be heterogeneity in mobility processes of individuals, which is not modelled by Benabou and Ok (2001) in the formalization of the POUM-effect. We argue that POUM-effects are most relevant for the individuals taken into account due to their position in their life-cycle earnings profile. Furthermore, older individuals are likely to take into account pension-income and intergenerational considerations, which might confound identification. Thus, by focusing on a subset of individuals, we are able to give a more precise account on the conditionality of the effect of mobility expectations on redistributive preferences.

Based on our findings, we conclude that there is a POUM-effect on redistributive preferences. The result suggests that individuals feel that opposing redistribution might be in their self-interest, since they expect their income to move upward to such an extent that more redistribution disadvantages them in the future. This finding is in line with earlier research (e.g., Alesina and La Ferrara, 2004; Cojocaru, 2014; Corneo and Gruener, 2002; Rainer and Siedler, 2008). However, our results add to the existing literature by taking into account possible heterogeneity in income and mobility processes. As such, we take a first step in showing that differentiating on the basis of life-cycle earnings might matter for the intragenerational POUM-effect.

More specifically, the effect of upward mobility we identify is conditional on political ideology. But before discussing this conditionality, we find that political beliefs have a statistically significant effect, regardless of expected income mobility. Right-wing and centre individuals prefer less redistribution (compared to left-wing individuals). This is in line with expectations and previous research (e.g. Alesina and Guiliano, 2011; Olivera, 2015). Regarding the interaction between mobility and ideology, we find that the effects of expected upward income mobility is conditional on having right-wing beliefs. Only for individuals that identify with the right of the political spectrum, expecting upward income mobility negatively impacts redistributive preferences. Right-wing ideology and mobility expectations, thus, works as complements. For individuals with different political beliefs, upward mobility does not robustly affect preferences. For left-wing individuals (compared to people with centre beliefs), we even conclude that redistribution is always a preferred outcome regardless of expected income movements.

Our results are in line with Buscha (2012), who finds that if people expect upward mobility they are more likely to have right-wing political beliefs. We add to these findings by also investigating how the indirect ideology-channel, through which upward mobility effects run, affects preferences for

redistribution. Furthermore, Alesina et al. (2018) recently examined how political beliefs interact with income mobility in an intergenerational context. We add to existing literature by studying intragenerational effects. Moreover, where Alesina et al. (2018) look at the effects of country-level mobility, we study expected personal upward income mobility and its effect on preferences.

Whereas we take into account age, and as such life-cycle earnings, future research into the POUM-effect should also consider other sources of heterogeneity in income mobility processes, such as race (see Beckman and Zheng (2007) for an example), gender and occupation. A different drawback of our research is that our sample consists of Dutch individuals only. Future research using a larger set of countries will tell whether our results are robust in a cross-country setting. The same can be said about the cross-sectional nature of our dataset. Again, studying the conditionality of the POUM-effect in a panel will have to show whether our results are robust to changes over time. Moreover, this would allow for cohort-effects, which could give additional insights.

The findings presented in this paper might be especially of interest to political parties, specifically regarding their position on desired levels of redistribution and corresponding proposals for redistributive policies. Particularly for right-wing parties the effect of income mobility on the position of their constituents with regards to redistribution is influential. The indirect effect of mobility via political beliefs indicates that future income expectations are relevant for an individual's position with regards to redistribution policies. And suggest it plays a role in determining party support. However, this latter statement should be confirmed in future research linking mobility expectations, ideology and their interdependency to voting behaviour and party support. Moreover, our results suggest a potential policy-channel to create more widespread support for the growing inequality of societies, being through increasing income mobility.

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Appendix

Table A1. Factor Loadings - Factor Analysis on Redistribution Statements

| | Rotated Factor Loadings | Uniqueness |
|--------------------|-------------------------|------------|
| Statement 1 | 0.661 | 0.563 |
| Statement 2 | -0.366 | 0.866 |
| Statement 3 | 0.705 | 0.503 |

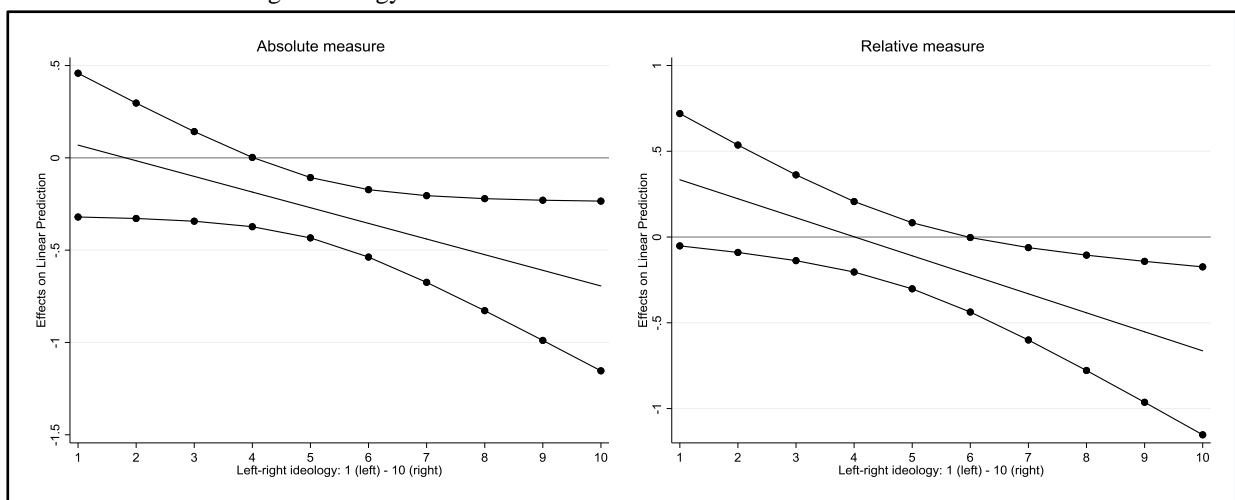
Note: The Bartlett predictor is used to predict the factor scores.

Table A2. OLS estimation results with the factor ‘Preferences for redistribution’ as dependent variable and measuring ideology as a linear variable

| Dependent variable: preferences for redistribution | (1) Absolute Measure | (2) Relative Measure |
|---|-------------------------|-------------------------|
| Dummy expectation of upward income mobility | 0.154 (0.239) | 0.445* (0.236) |
| Left-right ideology (1-10; scale) | -0.211*** (0.028) | -0.230*** (0.026) |
| Dummy expectation of upward income mobility x LR ideology | -0.085* (0.044) | -0.111** (0.044) |
| Observations | 1,052 | 1,049 |
| Constant and Controls? | YES | YES |
| Adj. R-squared | 0.275 | 0.265 |
| F-statistic | 21.747 | 24.189 |
| (p-value) | 0.000 | 0.000 |

Note: OLS regression results are displayed with robust standard errors clustered at the household level (in parentheses). Significance is indicated as follows: *** p<0.01, ** p<0.05, * p<0.1. The regression model included a constant and the same control variables are used in these regressions as in table 3.3. The dependent variable is the factor ‘preferences for redistribution’. The sample consists of respondents aged between 25-54. In column 1, the dummy indicating expected upward mobility is created using the absolute measure; in column 2, using the relative measure. Left-right ideology runs from 1 (left) to 10 (right). The same control variables are used in these regressions as included in table 3.2.

Figure A1. Marginal effects plot with 95% confidence intervals of the expectation of upward income mobility for different values of left-right ideology



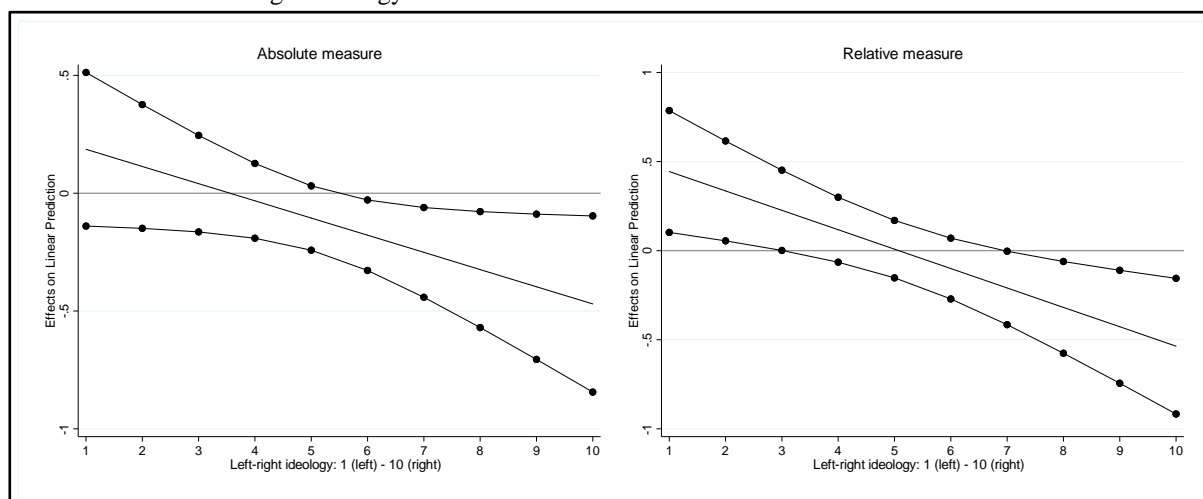
Note: The figure shows the marginal effect of the expectation of upward income mobility on preferences for redistribution for different values of left-right ideology for respondents aged between 25 and 54. The left panel shows this for the absolute measure of upward mobility; the right panel for the relative measure.

Table A3. OLS estimation results with the 3 redistribution statements as dependent variables and measuring ideology as a linear variable

| Dependent variable | (1) | (2) | (3) | (4) | (5) | (6) |
|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | Stat. 1 <i>Absolute</i> | Stat. 1 <i>Relative</i> | Stat. 2 <i>Absolute</i> | Stat. 2 <i>Relative</i> | Stat. 3 <i>Absolute</i> | Stat. 3 <i>Relative</i> |
| Dummy expectation of upward income mobility | 0.259 (0.200) | 0.553*** (0.207) | 0.229 (0.178) | 0.434** (0.194) | -0.070 (0.187) | 0.033 (0.205) |
| Left-right ideology | -0.136*** (0.022) | -0.146*** (0.021) | -0.086*** (0.021) | -0.098*** (0.018) | -0.160*** (0.022) | -0.172*** (0.019) |
| Dummy expectation of upward income mobility x LR ideology | -0.073** (0.036) | -0.109*** (0.037) | -0.080*** (0.030) | -0.116*** (0.033) | -0.030 (0.034) | -0.029 (0.039) |
| Observations | 1,061 | 1,058 | 1,059 | 1,056 | 1,061 | 1,058 |
| Constant & Controls? | YES | YES | YES | YES | YES | YES |
| Adj. R-squared | 0.183 | 0.181 | 0.132 | 0.130 | 0.230 | 0.221 |
| F-statistic | 13.799 | 15.262 | 10.849 | 12.300 | 18.504 | 18.148 |
| (p-value) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |

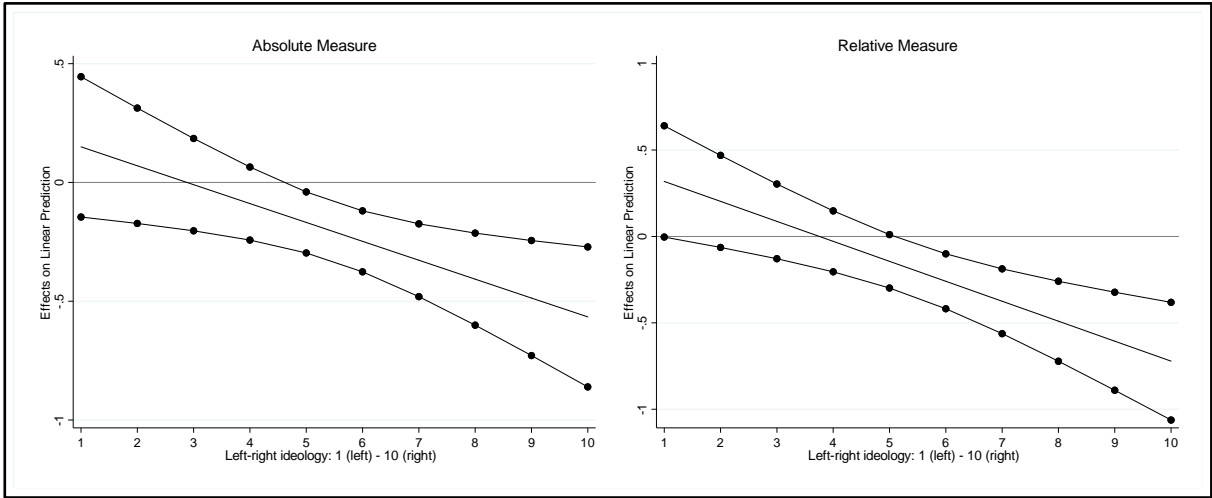
Note: OLS regression results are displayed with robust standard errors clustered at the household level (in parentheses). Significance is indicated as follows: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. The regression model included a constant and the same control variables are used in these regressions as in table 3.3. The sample consists of respondents aged between 25-54. In columns 1&2, the dependent variable is redistribution statement 1 (*The government should tax the rich and subsidize the poor*). In column 3&4, it is redistribution statement 2 (*Everyone should be rewarded by effort and performance, even when this leads to income differences*), which is rescaled such that high values correspond to disagreeing with the statement. In column 5&6 redistribution statement 3 (*Income differences between the rich and the poor should be reduced as much as possible*) is the dependent variable. In column 1, 3 and 5, expected upward mobility is measured using the absolute measure; in column 2, 4 and 6, using the relative measure.

Figure A2. Marginal effects plot with 95% confidence intervals of the expectation of upward income mobility for different values of left-right ideology – Statement 1



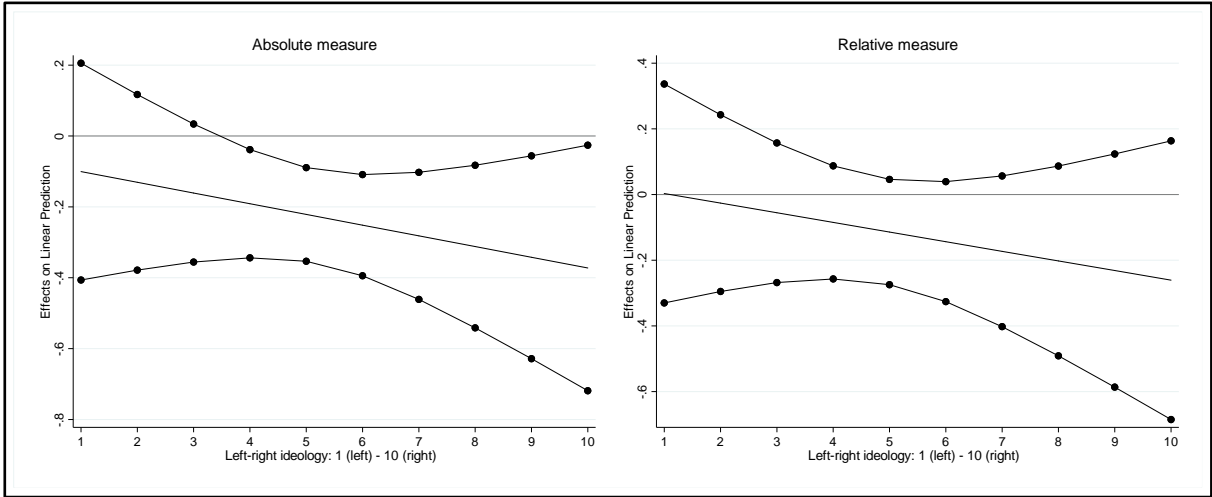
Note: The figure shows the marginal effect of the expectation of upward income mobility for different values of left-right ideology for respondents aged between 25 and 54 using statement 1 (*The government should tax the rich and subsidize the poor*) as a measure of redistributive preferences. The left panel shows this for the absolute measure of upward mobility; the right panel for the relative measure.

Figure A3. Marginal effects plot with 95% confidence intervals of the expectation of upward income mobility for different values of left-right ideology – Statement 2



Note: The figure shows the marginal effect of the expectation of upward income mobility for different values of left-right ideology for respondents aged between 25 and 54 using statement 2 (*Everyone should be rewarded by effort and performance, even when this leads to income differences*); rescaled such that high values correspond to disagreeing with the statement) as a measure of redistributive preferences. The left panel shows this for the absolute measure of upward mobility; the right panel for the relative measure.

Figure A4. Marginal effects plot with 95% confidence intervals of the expectation of upward income mobility for different values of left-right ideology – Statement 3



Note: The figure shows the marginal effect of the expectation of upward income mobility for different values of left-right ideology for respondents aged between 25 and 54 using statement 3 (*Income differences between the rich and the poor should be reduced as much as possible*) as a measure of redistributive preferences. The left panel shows this for the absolute measure of upward mobility; the right panel for the relative measure.