Democratic Redistribution and Rule of the Majority

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1. Introduction

- Does redistribution in democracies occur in “a democratic way”, i.e. does it cater to the will of the majority of citizens?

- If not, what are the driving forces that determine actual redistributive politics in democracies?

Previous literature and its limits

Basic theoretical result: the median-voter theorem

$\Longrightarrow$ democracy as "rule of the majority"

- Romer (1975), Roberts (1977), Meltzer and Richard (1981):

median voter = individual with the median productivity

$\Longrightarrow$ Empirical analyses have investigated the link between the level of redistribution and the distance between the median and the average wage rate (viz. pre-tax income) or the Gini coefficient of the distribution of market incomes.

- Negative or mixed results

(e.g. Perotti, 1996; Milanovic, 2000; Georgiadis and Manning, 2012; Scervini, 2012)

Problem: Citizens' preferences for redistribution hinge upon a variety of non-pecuniary factors

⟹ the individual that is the median in the distribution of skills or pre-tax incomes does not need to be the median in the distribution of preferences for redistribution

⟹ previous empirical analyses cannot answer the question whether democracies redistribute according to the will of the majority

- Survey and experimental evidence show that people often express a demand for redistribution that contradicts their pecuniary self-interest

  (e.g. Alesina and Giuliano, 2010; Bernasconi, 2006; Corneo and Grüner, 2002; Höchtl et al., 2012; Klor and Shayo, 2010; Luttmer and Singhal, 2011; Tyran and Sausgruber, 2006)

Current paper

- We *directly* elicit the median voter's preference for redistribution from international survey data
- For each country and year we observe the entire distribution of desired deviations from the amount of redistribution in the status quo
- We use that information to ascertain whether the distributional preferences of the median voters are implemented
- We test theories that try to explain why democracies may deviate from the ideal redistributive policy of the median-voter

2. Descriptive Evidence

Data sources	World Values Survey and European Values Study, 1990 – 2012
Survey question	"*Incomes should be made more equal*" vs. "*We need larger income differences as incentives*" (Respondents select an answer from a scale from 1 to 10)

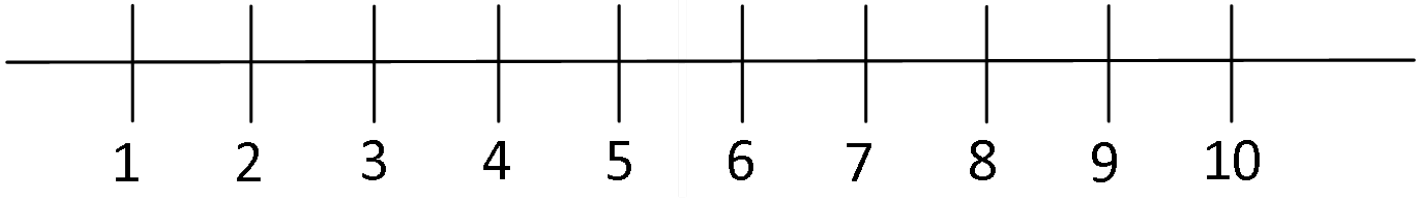
- Comparatives in the wording of the question

$\Longrightarrow$ question can be used to recover satisfaction with the amount of redistribution provided by the government in a given country and year

"*Incomes should be made more equal*"

vs.

"*We need larger income differences as incentives*"



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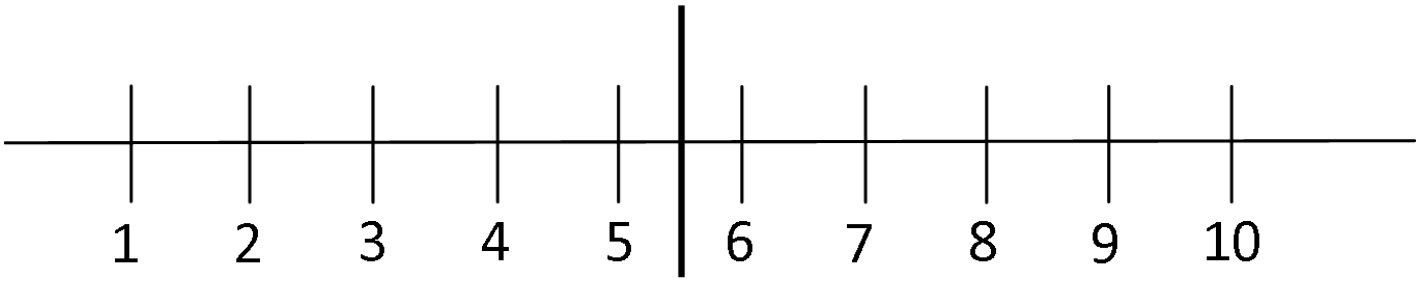

- Individual response: $r_i \, \epsilon \, \{1, \ldots, 10\}$

- Preferred change in redistributive policy by individual i:

$$\delta_i = \begin{cases} r_i - 5 \; if \; r_i < 6 \\ r_i - 6 \; if \; r_i > 5 \end{cases}$$

- r_i will be transformed into a value of δ denoted by δ_m when its cumulative distribution reaches 50 %

- Median voter's disagreement with the government: $\Delta_m = |\delta_m|$

- Definition of democracy is jointly based on two standard indicators:

1) Polity IV
2) Freedom House index

δ_m and Δ_m for democracies and non-democracies.

	free_polity				*free_polity*		
δ_m	1	0	Total	Δ_m	1	0	Total
-3	1	1	2				
-2	13	4	17				
-1	12	6	18				
0	94	42	136	0	94	42	136
1	30	29	59	1	42	35	77
2	11	17	28	2	24	21	45
3	2	7	9	3	3	8	11
4	0	1	1	4	0	1	1
Total	163	107	270	Total	163	107	270

3. Non-parametric tests…

Median voter and democracy: Results from non-parametric tests

Δ_m		*free_polity*	*polity_7*	*free*
Spearman's	Coefficient	-0.1947	-0.2050	-0.1842
	p-value	0.0013	0.0007	0.0016
Wilcoxon	p-value	0.0014	0.0008	0.0017
Chi-Squared	p-value	0.012	0.007	0.017
Fisher's exact	p-value	0.008	0.004	0.012

...and regressions

Ordered logit for median voter's disagreement with government.

Δ_m	*(1)*	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
free_polity	-0.752**	-0.814**				
	(-2.73)	(-2.72)				
polity_7			-0.839**	-0.881**		
			(-2.84)	(-2.79)		
free					-0.714**	-0.792**
					(-2.65)	(-2.73)
Wave Dummies		Yes		Yes		Yes
N	270	270	271	271	290	290

t statistics in parentheses; s.e. corrected for clustering at country level; cut-points not reported;
$^{+}p < 0.10$, $^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$

Result 1: Democracy enhances the ability of the majority of the population to obtain from the government its preferred level of redistribution.

Robustness checks

Non-parametric tests using alternative indicators of democracy

Δ_m		*democracy*	*polity*	*democ_10*	*freedom*	*freedom_2*	*van_index*
Spearman's	Coef.	-0.2109	-0.2847	-0.2577	-0.2589	-0.2069	-0.2601
	p-value	0.0035	0.0000	0.0001	0.0000	0.0012	0.0000
Wilcoxon	p-value	0.0037	xxx	0.0001	xxx	0.0014	xxx
Chi-Squared	p-value	0.027	0.000	0.002	0.001	0.013	xxx
Fisher's	p-value	0.021	xxx	0.001	xxx	0.006	xxx

xxx: *polity*, *freedom* and the *van_index* are non-binary measures so that Wilcoxon rank sum test and the Fisher exact test cannot be computed.

Robustness checks

Ordered logit using alternative indicators of democracy

Δ_m	*(1)*	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
democracy	-0.956**					
	(-2.73)					
polity		-0.058*				
		(-2.07)				
democ_10			-0.990***			
			(-3.35)			
freedom				-0.100**		
				(-2.58)		
freedom_2					-0.684*	
					(-2.51)	
van_index						-0.045***
						(-3.66)
N	191	270	270	290	290	245

t statistics in parentheses; s.e. corrected for clustering at country level; cut-points not reported;
$^{+}p < 0.10$, $^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$

4. Minority-backed Redistributions

In 40 % of democracies, the distributive preferences of the median voter fail to be implemented. What accounts for this fact?

Theory 1: asymmetric political participation (Benabou, 2000)	
Factual premise	Electoral turnout and other forms of political participation are not evenly distributed in the population
Reasoning	Non-voters are not randomly distributed across the total population $\Longrightarrow$ the pivotal voter in the election does not coincide with the hypothetical median voter
Prediction	The larger the distance between the median distributive preferences of the politically active population and the distributive preference of the (hypothetical) median voter, the larger is the misalignment of actual redistribution from the level of redistribution preferred by the (hypothetical) median voter, i.e. the larger is Δ_m

Theory 2: bundling of policy issues (Roemer, 1998)	
Factual premise	Redistribution is not the only issue that determines how people vote in elections - issues related to values are also at stake
Reasoning	If the values dimension is relatively salient, parties direct their effort at winning those who are close to the median in the values dimension $\Longrightarrow$ parties tend to propose redistributive policies that cater to the median voter in the values dimension
Prediction	The larger the distance between the distributive preference of the median voter in the values dimension and the distributive preference of the median voter in the redistributive dimension, the larger is Δ_m

Empirical scrutiny

(1) Asymmetric political-participation theory

> "If there were an election tomorrow, for which party on this list would you vote?"

- In alternative to choosing a party, respondents had the possibility to state that they do not have the right to vote, or that they would not vote or cast a blank ballot

  $\Longrightarrow$ eliminate them so as to compute the preferences of the effective median voter, $r_p \epsilon \{1,2, \dots 10\}$

- Prediction: Δ_m increases with $|r_m - r_p|$
- r_m is the hypothetical median voter's preferred level of redistribution

Empirical scrutiny

(2) Policy-bundle theory

- The particular values issues that are prominent in elections exhibit much variability across countries and over time

- However, research on value change in contemporary societies has established that conflicting views on particular values issues can often be traced back to a common dimension, the one contrasting *materialism* to *post-materialism* (Inglehart, 1997)

⟹We use: Index of post-materialism (contained in the WVS)

- Identify the individuals who endorse the median values
- Denote their preferences for redistribution by r_v
- Prediction: $\Delta_m$increases with $|r_m - r_v|$

Ordered logit for the policy-bundle and the asymmetric-participation effect

Δ_m	*(1)*	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
$\lvert r_m - r_p \rvert$	0.481		1.038	0.878	0.896	0.709
	(0.83)		(0.81)	(0.63)	(0.68)	(0.49)
$\lvert r_m - r_v \rvert$		5.729^{***}	5.572^{***}	5.630^{***}	5.655^{***}	5.744^{***}
		(7.68)	(7.66)	(7.44)	(7.58)	(7.12)
Wave Dummies	No	No	No	Yes	No	Yes
Region Dummies	No	No	No	No	Yes	Yes
N	157	95	89	89	89	89

t statistics in parentheses; s.e. corrected for clustering at country level; cut-points not reported;
$^{+}p < 0.10$, $^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$

- The policy-bundle effect is quantitatively important: at sample means, decreasing $|r_m - r_v|$ from 1 to 0 increases the probability to implement the preferences of the median voter (i.e. to observe $\Delta_m = 0$) from 5 % to 95 %

Result 2: Asymmetry in political participation does not constitute a key driving force behind minority-backed levels of redistribution. The latter can be ascribed to the use of redistributive policy as a device to attract voters who are pivotal in settling values issues.

Robustness checks

Alternative survey question: "Are you very interested in politics, somewhat interested, not very interested, or not at all interested?"

Ordered logits with an alternative proxy for the asymmetric-participation effect

Δ_m	(1)	(2)	(3)	(4)	(5)	(6)
$\lvert r_m - r'_p \rvert$	-0.138		0.891	0.698	0.813	0.466
	(-0.23)		(0.73)	(0.53)	(0.64)	(0.32)
$\lvert r_m - r_v \rvert$		5.729***	5.809***	5.807***	5.959***	5.988***
		(7.68)	(7.61)	(7.49)	(7.33)	(7.11)
Wave Dummies	No	No	No	Yes	No	Yes
Region Dummies	No	No	No	No	Yes	Yes
N	160	95	95	95	95	95

t statistics in parentheses; s.e. corrected for clustering at country level; cut-points not reported;
$^{+}p < 0.10$, $^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$

Alternative survey questions on justifiability of abortion, homosexuality and divorce - for each, respondents could choose in a 1-10 scale indicating their level of acceptance.

Ordered logits with an alternative proxy for the policy-bundle effect

Δ_m	*(1)*	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
$\lvert r_m - r_p \rvert$	0.481		0.255	0.126	0.211	0.116
	(0.83)		(0.29)	(0.14)	(0.23)	(0.12)
$\lvert r_m - r_v' \rvert$		5.174***	5.108***	5.197***	5.209***	5.274***
		(8.96)	(8.74)	(8.14)	(8.28)	(7.94)
Wave Dummies	No	No	No	Yes	No	Yes
Region Dummies	No	No	No	No	Yes	Yes
N	157	161	155	155	155	155

t statistics in parentheses; s.e. corrected for clustering at country level; cut-points not reported;
$^{+}p < 0.10$, $^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$

5. Conclusion

	Main results
1.	Under democracy, in the majority of cases the median voter gets what she wants in terms of redistribution. The ability of serving the median voter significantly distinguishes democratic countries from non-democratic countries and the higher is the quality of democracy, the higher is the probability that the median voter is served in terms of redistribution.
2.	A non-negligible share of democracies violates the prediction of the median-voter theorem and implements some minority-backed redistributive policy. Despite the rich and more educated being more likely to participate in politics, this asymmetry in political participation does not drive that outcome. Minority-backed redistributions can to a large extent be explained by a policy-bundle effect.