Income inequality, policy preferences and policy responsiveness:

Western Europe 2008-19

Jan Rosset and Jonas Pontusson

University of Geneva

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please do quote specifics

It has become something of a commonplace in recent contributions to the literature on the politics of redistribution to observe that governments in liberal democracies have not compensated low- and middle-income citizens for rising top-end inequality. We might perhaps refer to this as the "Piketty puzzle." Pioneered by Bartels (2008) and Gilens (2012), one strand of the literature resolves the puzzle by arguing that government policy primarily caters to affluent citizens, if not to the top 1%, often suggesting that policy responsiveness has become more unequal as income inequality has increased. In Piketty's (2021) own formulation, Center-Left parties have become the parties of the university-educated while Center-Right parties have always been (and remain) the parties of the affluent, leaving working-class voters less well represented in politics than they were for much of the twentieth century. Against this line of reasoning, other scholars, starting with Kenworthy and McCall (2008), have pointed out that public support for redistribution has been remarkable stable in most liberal democracies over the last several decades. As Gonthier (2017) documents based on data from the European Social Survey, rising support for redistribution in the wake of the Great Recession of 2008-09 has either been absent or consensual in the sense that low-, middle- and high-income citizens have all moved in favour of more redistribution. Contrary to what we would have expected based on standard political economy models, rising inequality does not appear to have generated polarization of redistribution preferences by income. Observations such as these have in turn spawned a growing literature suggesting that citizens are poorly informed about income inequality or do not care about it, possibly because they consider the inequality that they perceive to be fair (*references to be added*).

The contributions of this paper are essentially empirical. Our first and most important contribution concerns the measure of public policy preferences. The literature on preferences for redistribution relies heavily—indeed, almost exclusively—on "the standard ISSP/ESS question," which asks survey respondents whether or not they agree with the statement that "the government should reduce differences in income levels." This is a very broad and quite ambiguous question, arguably not

well suited for ascertaining whether or how policy preferences respond to changes in inequality (or other objective conditions). In the Inequality and Politics Survey, a representative online survey carried by two research teams at the University of Geneva in 2019 (see Pontusson, Giger, Rosset and Lascombes 2020), we asked a number of other questions designed to measure support for specific policies with redistributive implications, including several questions that were asked as part of the social welfare module of the European Social Survey of 2008. Alongside the standard redistribution question, we will here exploit two of these other questions, one about tax progressivity and the other about the structure of unemployment benefits, to explore changes in redistributive policy preferences between 2008 and 2009 in twelve West European countries.[1] To anticipate, we find that public opinion shifted sharply in favour of progressive taxation in all but one country (Ireland) from 2008 to 2019 and that it shifted sharply in favour of less income differentiation of unemployment benefits in all twelve countries. Furthermore, we find some evidence that policy preferences have become more polarized by income in the domain of unemployment compensation.[2]

In due course, we will also present evidence that qualifies the premise of the debate about the Piketty puzzle. With one or two exceptions, top income shares and overall income inequality, as measured by the Gini coefficient, rose quite sharply across the countries covered by our analysis in the fifteen years prior to the global financial crisis of 2007-08. However, the story of the 2010s is quite different: with a couple of exceptions, income inequality, including top-end inequality, held steady or even declined from 2008 to 2018.

[1] The twelve countries are Austria, Belgium, Denmark, France, Germany, Great Britain, Ireland, the Netherlands, Portugal, Spain, Sweden and Switzerland. Our survey also included Italy and the US, but these countries drop out of this analysis because they were not part of ESS 2008. Note also the Austrian survey for ESS Wave 4 was actually carried out in 2010.

[2] Comparability between face-to-face ESS surveys and the online Inequality and Politics Survey represents a potential concern, especially in light of different sampling methods. We will address this concern in the next iteration of the paper. For now, suffice it to note that there is a very strong correlation between the estimates of average support for redistribution by country that we obtain based on our own survey and ESS 2018 (r=.915, p=.000).

The rest of the paper is organized into four parts. The first part discusses the literatures on redistributive preferences and on unequal representation and situates our contribution in these. The second part describes the survey items that we use to measure policy preferences and presents our estimates of average support for redistribution, tax progressivity and egalitarian unemployment benefits in 2008 and 2019 as well as our estimates of preference polarization by income. The third part explores whether or not changes in equality might explain shifts in public opinion through cross-national comparison. Finally, the third part begins to address the question of whether or not shifts in public preferences have resulted in any readily identifiable policy changes.

From redistributive preference to policy outcomes: a theoretical framework

We draw on and aim at contributing to two different but interconnected literatures. One is the literature on individuals' redistributive preferences, what can explain these preferences, how they respond to macro-economic changes and how they differ across social groups (Alesina and Giuliano 2011, Rueda and Stegmüller 2019). The other one is the literature on responsiveness, the extent to which citizens' preferences influence policy outcomes (Burstein 2003) and whether the preferences of different social groups have the same impact on policy (Gilens 2005, 2012, Elsässer et al. 2020, Schakel 2021, Elkjaer and Klitgaard 2021). The relevance of each of these topics is tightly linked to the other one. There is little reason to think that so many scholars would have spent as much time studying redistributive preferences if they did not believe that there is at least some policy responsiveness in democracies and that citizens' preferences may have an impact in terms of policy outcomes. In fact, most works on redistribution preferences start by referring to classic political economy models in which public opinion has a decisive impact on policy outcomes.

On the other hand, the study of responsiveness would also seem much less appealing if public preferences would be unpredictable and, for instance in the case of economic and social policy, unrelated with macro-economic changes. Also, as has been put forward by several authors, there is

little sense to study unequal representation along economic lines if individuals' economic situation has no impact on their preferences (e.g. Enns and Wlezien 2011).

Surprisingly, however, little research looked at what influences public opinion and how public opinion shapes policy in the same project and time frame. The main exception is the work developed by Wlezien and Soroka around the thermostatic model of policy responsiveness (Wlezien 1995, Soroka and Wlezien 2010). In this model there is an influence of public opinion on policy and also a feedback effect of policy on public opinion as the public notices changes in the status quo.

In the current project, we take the potential effect of policy on preferences into account but put emphasis on how economic circumstances affect those preferences. Our project also includes the notion that societies are divided therefore preferences are likely to differ across income groups and their influence on public policy may not be proportional to their demographic size.

Beyond the combination of both a public opinion and a responsiveness perspective in the in the same project which is the only way to address the "Piketty puzzle" outlined in the introduction, we also aim at making more specific contributions to each of the literatures mentioned. First, research on the effects of the 2007/08 crisis has shown that public preferences have moved little in the following years (Brooks and Manza, 2013 , Soroka and Wlezien 2014, Gonthier, 2017). We take these previous studies as a starting point but also argue that the picture might be different when looking at specific policy questions rather than overall measures of redistribution. Sociological and political science work on the topic has clearly shown that preferences for redistribution are multi-faceted. For instance, it has been argued that people think differently about redistribution depending on whether it is presented as taking money from the rich or giving it to the poor (Cavaille and Trump 2015). Research has also documented that preferences over tax progressivity and their levels are quite distinct from each other and unrelated Barnes (2015). These insights show that attitudes towards redistribution can hardly be summarized in a single pro-/anti-redistribution dimension. These different dimensions in public opinion preferences reflect the fact that there are

different ways of increasing or decreasing redistribution in given context. In short, the rate of redistribution can be changed by either modifying state's income (taxes) or their spending (welfare state). Furthermore, it can be altered by either modifying the global amount that is levied or transferred or by changing the progressivity of taxes or that of benefits. The table below summarizes these four components which, taken together, determine the level of redistribution (assuming of course that there are no issues with implementation and no tax evasion). Obviously, there are limitations in this simplistic scheme as it does not take into account neither corporate taxation nor the fact that public preferences regarding spending differ quite largely depending on the target populations and thus might be different for say unemployment and pension benefits.

We argue that to assess changes in public opinion over time, it is helpful to consider these various components simultaneously. An economic shock such as the Great Recession of 2008-9 may have different, possibly opposite effects on each of these components. To give an example, an economic slow down or recession likely reduces individuals' acceptance of high levels of taxation overall, but may boost their demand for progressivity of taxation, especially if high income individuals are perceived as being to blame for the crisis. Therefore, we argue that an analysis of a context related change in preferences for redistribution should ideally analyse these components separately.

Components of Redistribution

	Amount	**Progressivity**
Taxation	Level of taxation	Progressivity of taxation
Spending	Scope and level of benefits	Proportionality of benefits (flate rate vs income related).

Second, regarding the literature on unequal responsiveness, several country-specific studies have gathered data from polls regarding public opinion on specific policies and analysed whether the policies were implemented or not in the years following the poll (Gilens 2005, 2012, Elsässer et al.

2020, Schakel 2021). Given that the number of polls and the type of policies they cover differ substantially across countries, this approach is not well suited for a comparative cross-country analysis. The comparative literature has thus privileged the analysis of very broad measures of policy output such as social spending (Peters and Ensink 2014, Elkjear and Iversen 2020). One of the limitations of this approach, however, is that social spending is also related to factors that are directly in governments' hands and might themselves also have an independent effect on public opinion (to give an example: higher unemployment rate increases both spending and share of individuals benefiting from unemployment benefits thus potentially increasing support for these benefits) . There are very few examples of research that take a middle ground looking at policy output that are both broad enough to allow cross-country comparisons and specific enough to be able to link them with meaningful public opinion questions (see Schakel, Burgoon and Hakhverdian 2020 for a discussion). Decomposing redistribution preferences as suggested above actually enables analysing policy outputs that arguably correspond well to that middle ground. Our focus on public opinion on tax progressivity and flat rate unemployment benefits enables us to find measures of policy outputs that rather closely correspond to the concepts that were asked in the survey questions.

Shifts in redistributive policy preferences

The standard question about support for redistribution fielded by the International Social Survey Program since the mid-1980s and by the European Survey Social since 2002 asks respondents whether or not they agree with the statement that "the government should take measures to reduce differences in income levels," providing for five possible responses: "strongly disagree," "disagree," "neither agree nor disagree," "agree" and "strongly agree." To facilitate the interpretation, the literature on preferences for redistribution commonly dichotomizes the answers and estimates the

effects of individual and macro-level variables on the probability that an individual will agree or strongly with the statement in the question (*references to be added*).

As already noted by many scholars (*references to be added*), the standard question leaves a good deal to be desired. The question is ambiguous for several reasons. First, while in economic science, income refers to any flow of money an individual or household receives (and thus includes state benefits), the common use of the term refers specifically to inflows of money that are related to labour or capital and thus exclude state benefits.[3] In that sense, some respondents – actually most if they use dictionary definitions of the word income -- might understand this question as a question about equalizing incomes from labour and capital and thus think of it as a question about predistribution (Hacker 2011), whereas virtually all research performed using claims to measure preferences for redistribution. Second, it is unclear whether or not the status quo is (or should be) a reference point for respondents when they answer the question. Quite likely, some respondents take this to be a question about whether or not government should do more to reduce income differences, but others may not, and whether or not the question is interpreted in this manner may well vary across countries. Relatedly, the question may solicit responses motivated by social desirability and different responses to the question may have as much to do with respondents' views of the appropriate role of government as their views about income inequality. Finally, support for redistribution measured in this manner is quite high in most countries and thus we might expect to be important ceiling effects at work. For any and all of these reasons, it is far from obvious that we should expect increases in

[3] The definition of income in the Oxford English dictionary is « That which comes in as the periodical produce of one's work, business, lands, or investments (considered in reference to its amount, and commonly expressed in terms of money)" . Most other definitions also insist on the sources of the income and the fact that it does not include benefits, e.g. : « a gain or recurrent benefit usually measured in money that derives from capital or labor" (Merriam Webster dictionary). The same ambiguity exists in other European languages, but to varying degrees which, in addition to complicating the interpretation of the answers provided by respondents, limits the possibilities to make valid cross-country (and even sometimes within country) comparisons. For instance, the definition of the word « revenu » used in the French translation that has been asked in France and the francophone parts of Belgium and Switzerland refers specifically to labour and capital gains (e.g. Le Robert or Larousse dictionaries) whereas the word Einkommen used in the German, Austrian and Swiss German version of the questionnaire seem to correspond more closely to the economics definition of the word income as it refers to monetary inflows from all sources (see e.g. Duden, DWDS).

inequality to translate into increased support for redistribution (measured in this manner) and, in particular, it is far from obvious that we should expect this translation to occur in a cross-nationally consistent manner.

For each country, Figure 1 presents the of share of respondents who agreed (including strongly agreed) with the statement that the government should take measures to reduce differences in income levels in 2008 (based on the ESS) and in 2019 (based on the Inequality and Politics Survey).[4] To allow for visual assessment of whether or not over-time changes in average support for redistribution are statistical significant, the figure includes whiskers representing 84% confidence intervals: if the whiskers do not overlap, the difference between the two observations for a country is significant at the $p.< 0.05$ level (Julious 2004). By this criterion, we observe significant increases in overall support for redistribution from 2008 to 2019 in Austria, Denmark, Germany, Great Britain, the Netherlands and Sweden, a significant decline in support for redistribution in France and no significant change in the remaining five countries.

[Figure 1]

To assess whether income groups have moved in parallel or have evolved differently over time and to gauge the level of polarization, we also estimate support for redistribution for the first, third and fifth income quintiles. These estimates are presented in the Appendix (Table A1). Table 1 summarizes the main patterns regarding the polarization. The figures in this table are the results that we obtain when we run country-specific linear probability regression models pooling individual-level data from ESS 2008 and the Inequality and Politics Survey, with support for redistribution (agree or strongly agree) predicted by the respondent's income quintile (used as a categorical variable, with the fifth quintile as a reference category), a dummy for the year of the survey and an interaction term between income quintiles and the year. While the indicator of polarization in the first column is the

[4] Note that all the survey items analyzed in this presented paper included "don't know" as an response option and that our analyses exclude respondents who chose this option.

regression coefficient for being in the first income quintile, with the fifth quintile as the reference category, the second column shows the coefficient for the interaction term for the first quintile or, in other words, the change in the effect of belonging to the first quintile (as opposed to the fifth quintile) from 2008 to 2019.

[Table 1]

Confirming the findings of many prior studies, Table 1 shows that low-income citizens (respondents) are typically more likely to support redistribution than high-income respondents. The direct effect of relative income clears conventional thresholds of statistical significance in all but two countries, Belgium and Portugal. We observe a significant increase in polarization from 2008 to 2019 in Belgium as well as France, but a significant decline in polarization in Great Britain and Ireland. Ignoring statistical significance, there seems to be some general trend towards depolarization as Sweden is the only other case in which the interaction term has a negative coefficient. Quite plausibly, this trend reflects the fact that low-income citizens were more likely to support redistribution to begin with.

Looking at both Figure 1 and Table 1, we observe almost all possible combination of changes in polarization and changes average support for redistribution, but the most common pattern is a moderate increase in support for redistribution across all income groups. We observe this pattern in Austria, Denmark, Germany, the Netherlands and Sweden. The second most common pattern, observed in Spain, Portugal and Switzerland, is stability with respect to polarization as well as average support.

Turning to support for specific policies with redistributive implication, let us start tax progressivity. The ESS 2008 question that we replicated in the Inequality and Politics reads as follows: "Think of two people, one earning twice as much as the other. Which of the three statements comes closest to how you think they should be taxed? (1) Pay same share of earnings in tax; (2) Higher earner pay a higher share of earnings in tax; or (3) Pay same amount of money in tax." With support for tax

progressivity measured by the percentage of respondents who think that higher earners should pay a higher share of their earning in taxes, Figure 2 reports on average support for tax progressivity by country in 2008 and 2019.

[Figure 2]

In contrast to Figure 1, Figure 2 shows a uniform and quite dramatic shift of public opinion in favour of tax progressivity. This shift easily clears the 95% significance threshold in all but one of our twelve countries. The one exception, Ireland, stands out as the country with the highest level of support for tax progressivity in 2008. While support for tax progressivity increased by 5-10 percentage points in Switzerland, Denmark and the Netherlands, it increased by 18 points in Sweden, 21 points in Austria, 22 points in Great Britain and a whopping 33 points in Portugal. Averaging across the twelve countries, the percentage of respondents supporting the proposition that the tax rate should rise with income increased from 49.8 in 2008 to 64.6 in 2019.

Table 2 reports on the polarization of tax policy preferences by income, replicating the analysis that generated Table 1.[5] As with overall support for redistribution, low-income citizens tend to be more supportive of tax progressivity, but the effect of relative income is smaller and less consistent across countries. The coefficient for relative income takes a positive sign but fails to clear the 95% significance threshold for Austria, Belgium and Sweden. Though small and insignificant, the coefficient for relative income is negative for Germany. Portugal stands out as an exceptional case in that high-income respondents were more likely to support tax progressive than low-income respondents in 2008, but this pattern was reversed over the time period covered by our analysis. We also obtain significant interaction effects for Spain and Ireland: in contrast to Portugal, high-income citizens shifted more in favour of tax progressivity than low-income citizens in these two countries. In the other nine countries, differences in support for tax progressivity across income groups did not change significantly between 2008 and 2019. These countries can in turn be divided into two groups:

[5] See Table A1 for estimates of support for tax progressivity by income quintiles.

countries in which tax policy preferences have been and remain polarized by income (Denmark, France, Great Britain, the Netherlands and Switzerland) and those for which this is not the case (Austria, Belgium, Germany and Sweden).

[Table 2]

With regard to unemployment compensation, the Inequality and Politics Survey replicated two questions asked in ESS 2008. The first question asked respondents to indicate whether they think that it should be the responsibility of government to ensure a "reasonable standard of living for the unemployed" on a scale from zero ("not government's responsibility at all") to 10 ("entirely government's responsibility"). Like several previous studies (*add references*), we interpret responses to this question as indicative of support for generous public unemployment benefits. As shown in Figure 3, average responses are strikingly similar across our twelve countries for 2019 as well as 2008. With respect to changes over time, we observe moderate but statistically significant increases in support for unemployment generosity in Belgium, Denmark, France, Germany, Great Britain and the Netherlands and a small but significant decline in Portugal.

[Figure 3]

More directly related to preferences for redistribution, the second question concerns the structure of unemployment benefits or, more precisely, preferences for different principles whereby unemployment compensation might be allocated. The wording of the question is as follows: "Some people say that high earners should get more benefits when they are temporarily unemployed because they paid more in tax, whilst others think that lower earners should get more because they are in greater need. Which of the three statements comes closest to your view?" Respondents are then presented with the following three statements: "(1) Higher earners who become unemployed temporarily should get more in benefit; (2) High and low earners should get the same amount of benefit; (3) Lower earners who become unemployed temporarily should get more in benefit." The distinction between the flat-rate ("Beveridgean") principle articulated in the second statement and

the principle of targeting benefits to the poor articulated in the third statement features prominently in the comparative welfare-statement (most notably Esping-Andersen 1990), but we will here focus on public opinion with regard to the question of whether or not benefits provided to the unemployed should be function of people's earnings before they became unemployed.

Combining respondents who chose the second or third statement as the statement closest to their own yields the estimates of average support for egalitarian unemployment benefits—or, in other opposition to earnings differentiation—presented in Figure 4. With two exceptions, we observe significant increases in support for egalitarianism in the realm of unemployment compensation across our entire sample of West European countries. This increase appears to be most pronounced among countries with insurance-based welfare-state profiles (Austria, France, Germany and Switzerland) but it also pronounced in the Southern European countries in our sample (Portugal and Spain). As for the two exceptions to the general trend, Denmark and Ireland, it is noteworthy that they, along with Great Britain, stand out as the countries with the highest level of support for egalitarian benefits in 2008.[6]

[Figure 4]

The comparative welfare-state literature teaches us that earnings-related social benefits tend be more generous than flat-rate and means-tested benefits. The standard explanation for this regularity is that that earnings differentiation renders middle- and high-income citizens more will to fund social insurance and thereby allow for more generous average benefits (Korpi and Palme 1998). For our purposes, this reasoning raises the question of whether or not citizens who have shifted in favour of more egalitarian unemployment benefits have also shifted in favour of less generous benefits. If that were the case, the findings presented in Figure 4 could hardly be interpreted as a shift in favour redistribution. Given the upward trend (or stability) in responses to the question about the government responsibility shown in Figure 3, this potential problem does not seem terribly relevant

[6] The Inequality and Politics Survey also replicated a similar ESS 2008 about the allocative principles for pension benefits. Here, too, we observe a clear decline in public support for earnings-differentiated benefits.

for our interpretation of changes in average support for egalitarian unemployment benefits, but it might still be relevant for our analysis of changes in support for egalitarian benefits across income groups. A simple solution is to calculate the percentage of respondents who favour egalitarian benefits and whose answer to the question about government responsibility clears some minimum threshold. For all respondents, Figure 5 shows the estimates that we obtain when we set the minimum threshold at 7.[7] Simply put, we observe significant increases in the percentage of citizens who support *egalitarian and generous* unemployment benefits in all twelve countries. The increases are relatively moderate in countries where such support was high to begin with (Denmark, Ireland and Sweden), but very substantial in the other countries. Averaging across the 12 countries, the percentage of citizens who support egalitarian and generous benefits (by our definition) increased from 33.7 in 2008 to 46.9 in 2019.[8]

[Figure 5]

Table 3 replicates our analysis of polarization of policy preferences with support for egalitarian and generous unemployment benefits as the dependent variable.[9] Here we find significant polarization by income in 8 out 12 cases and no instance in which the coefficient for relative income takes a negative sign. As for changes for time, we observe significant increases in polarization four cases, including two of the cases in which the 2008 effect of relative income is not significant (Austria and Portugal) and only two cases in which the coefficient for the interaction term is negative.

[Table 3]

The comparison with our findings for tax progressivity is intriguing. Generalizing across these twelve countries, it appears to be the case that the difference in the policy preferences of high-income

[7] As shown in Figure 3, 7 is higher than the average 2008 response in all 12 countries.
[8] Pooling individual observations from all 12 countries, we find that there was no significant difference in responses to the government responsibility question between respondents who favored egalitarian benefits and those who favored earnings-differentiated benefits in 2008, but the former placed themselves higher on responsibility scale than the latter in 2019 (with an average score of 7.03 as compared to 6.29).
[9] See Table A1 for estimates of support by income quintiles.

and low-income citizen is larger with respect to unemployment compensation than with respect to unemployment and that this is more true today than it was in 2008. Affluent citizens have become more willing to accept the idea that they shoulder a large share of the tax burden, but they remain strongly committed to the idea that social insurance benefits should be earnings-related. By contrast, the preferences low- and middle-income citizens alike have shifted in favour of egalitarian benefits as well as tax progressivity.[10]

Inequality as a determinant of shifts in policy preferences

To what extent might the public opinion shifts documented in the previous section be considered as responses to rising income inequality? For starters, Table 4 presents some basic "facts" concerning the evolution of income inequality in our 12 countries. The left-hand panel shows top 10% income shares for 1994, 2008 and 2019. As recorded in the World Inequality Database, top 10% income shares refer to the share of total pre-tax income earned by the top decile of income-tax-declaring units (individuals or households). Pre-tax income includes transfer payments received from the government (most notably public pensions, but also unemployment benefits, social assistance, and the like), but not capital gains. Based on data from the Luxembourg Income and EU-SILC, the second panel in turn shows Gini coefficients for disposable household income for the same points in time. Importantly, comparing disposable-income Gini coefficients across countries and tracking chances over time takes into account cross-national differences and changes in the redistributive effects of taxes and transfers as well as the distribution of "market income." In our view, measuring inequality in terms of disposable income makes a lot more sense than measuring it in terms of market income if our goal is to ascertain whether or not individuals are aware of and respond to changes in

[10] The next iteration of the paper will present pooled statistics and regression results that support these propositions.

inequality. While our lived experience tells us something about the distribution of disposable income, we can only know about the distribution of market income by looking at statistics.

[Table 4]

As anticipated in the introduction, the data presented in Table 4 provide, we think, an important antidote to punditry and scholarly work framed in terms of the "current era" being an era of rising income inequality. The 10-15 years before the global financial crisis was clearly such a period. Top 10% income shares rose in all but one of the twelve countries covered by our analysis over the period from 1994 to 2008 (the exception being Spain) and the rises were typically substantial. In ten countries, top 10% income shares rose by at least 2 percentage points over 13 years. We also observe a common trend for Gini coefficients for disposable household income to increase in the pre-crisis period, with Spain and Ireland, to a lesser extent also Great Britain, as exceptions.[11] However, top 10% shares fell sharply during the financial crisis and, in most countries, they never fully recovered from this setback. And in 9 out of 12 countries, Gini coefficients for disposable household income were lower in 2019 than in 2008.

In light of the data presented in Table 4, the broad-based shifts in public opinion documented in the previous section appear to be something of a puzzle. We do not know what happened to support for tax progressivity or redistributive unemployment compensation between 1994 and 2008, but it seems safe to assume that such support did not increase as much or as uniformly (across countries) as it apparently did in the post-crisis period. Oddly, support for redistributive policies appears to have increased as the rise in inequality ended or, at least, decelerated.

The data presented in Table 5 arguably helps us make sense of this puzzle. While the left-hand panel of this table shows average annual growth rates of (real) GDP per capita for 1994-2007 and for 2011-18, the right-hand panel shows average unemployment rates for 2000-07 and for 2011-

[11] While the British module of the Inequality and Politics was carried out in Great Britain, the statistics presented in Tables 4 and 5 pertain to the United Kingdom. For consistency, we continue to speak of "Great Britain."

18. (In both cases, this exercise seeks to bracket the crisis of 2008-10). With respect unemployment, Germany stands out as a truly exceptional case, but Belgian economy also operated at a lower rate of unemployment in 2010s than in the early 2000s. In the other ten countries, the average rate of unemployment was higher in the 2010s than in the early 2000s and in three of these cases—Ireland, Portugal and Spain—it was very much higher. More importantly, Table 5 brings out the sharp deceleration of GDP growth that took place in the wake of the crisis of 2008-10. Germany is the only case in which GDP growth in 2011-18 matched GDP growth in 1994-2007 (and German GDP growth in 1994-2007 was exceptionally sluggish). In the other 11 countries, the rate of GDP growth rate in 2011-18 was much lower, often less than half the rate in 1994-2007. And, importantly, the rise of inequality that had occurred in the pre-crisis period has only partially been reversed. Arguably, inequality became irksome to many citizens, especially low- and middle-income citizens, in the new context of the austerity and income stagnation that characterized the 2010s.

[Table 5]

The argument suggested here implies that citizens' responses to (rising) inequality are conditioned not only by their position in the income distribution, but also by macroeconomic conditions. Testing observable implications of this reasoning would require many more macro-level observations (countries and/or years) than we currently have and this would in turn would require the use of other policy-specific measures of support for redistribution. For the time being, we restrict ourselves to a set of very simple OLS regressions with levels and changes in inequality as predictors of changes in average support for redistribution, tax progressivity and egalitarian unemployment compensation.

An important preliminary point here, to which we have already alluded, concerns ceiling effects. As illustrated by Figure 6, there is a strong negative correlation between initial levels of support and changes in support for redistributive policies at the country level. This holds for each of the three measures of redistributive policy support introduced above. It behoves us to need to take

these ceiling effects into account if we want to understand effects of inequality on redistributive policy preferences.

[Figure 6]

Table 6 presents the results of estimating regression models with inequality measured by the Gini coefficient for disposable household income (from Table 5).[12] The main take-aways are as follows. Whether or not we control for ceiling effects, we do not observe any cross-national association between levels or changes in inequality and changes in overall support for redistribution. Controlling for ceiling effects, we do not observe any association between changes in inequality and changes in support for tax progressivity, but we do observe a statistically significant association between levels of inequality and changes in support for tax progressivity: on average, the shift in favour of tax progressivity has been more pronounced in more inegalitarian countries. This holds for levels of inequality in 1994 as well as 2008. Finally, and most interestingly, we obtain statistically significant coefficients for changes in inequality (from 1994 to 2018 and from 2008 to 2018) as well as levels of inequality (in 1994 and 2008) when the dependent variable is change in support for egalitarian unemployment compensation (and we control for ceiling effects).

[Table 6]

With N=12, the results presented in Table 6 must obviously be taken with a grain of salt, but they seem to suggest that some recent literature may have been too quick to dismiss the idea that redistributive policy preferences respond to inequality. That said, we hasten to add that this does mean citizens are fully aware of what the income distribution looks like, or how it has changed, and it

[12] For changes in support for redistribution and changes in support for tax progressivity, the results are essentially the same with inequality measured by top 10% income shares. For changes in support for egalitarian unemployment compensation, by contrast, the effects shown in Table 6 become insignificant when we substitute top 10% income shares for Gini coefficients.

certainly does contradict the proposition that fairness considerations play a key role in the formation of redistributive policy preferences.[13]

Policy responsiveness

Finally, let us very briefly address the consequences of public opinion shifts for "policy outputs" or, alternatively, "policy outcomes." Simply put, we are interested in ascertaining whether or not the opinion shifts documented in Figures 1, 2 and 5 have been associated with changes in government policies. (If we were to observe such an association, it would, of course, remain an open question whether policy has responded to public opinion shifts or the other way around).

Table 7 presents a series quantitative "policy indicators" that might plausibly be matched with the policy questions for which we have observation for 2008 and 2019. Three of these indicators pertain to redistribution through taxes and income transfers, as conventionally measured, i.e., as the percentage reduction in the Gini coefficient generated by taxes or by income transfers or by the combination of the two. First, we propose to match changes in overall support for redistribution, as captured by the standard ISSP/ESS question, with changes in the effect of both taxes and transfers on the distribution of income among all households. Second, we propose to match changes in support for tax progressivity with changes in the effect of taxes on the distribution of income among working-age households, i.e., the percentage reduction of the Gini coefficient as we move from total pre-tax income (including government transfers) to disposable income. Thirdly, we propose to match changes in support for generous egalitarian unemployment compensation with changes in the effect of income

[13] The next iteration of this paper will address the question of how relative income conditions responses to inequality at the individual level.

transfers on the distribution of income among working-age households, i.e., the percentage reduction of the Gini coefficient as we move from "market income" to "total pre-tax income."[14]

[Table 7]

It is important to keep in mind that that redistribution is affected not only by policy changes, but also by social and economic conditions. Most obviously, inequality rises with unemployment because low-income households are more affected by unemployment than high-income households, but redistribution also increases, more or less automatically, with unemployment. Everything else being equal, the share of taxes paid by low-income households declines with the decline in their market income and the share of government transfers in the total income of low-income households increases. Nonetheless, it is surely of some interest to ask whether or not preferences for redistribution and actual redistribution have moved in the same direction.

For tax progressivity and unemployment compensation, Table 7 also presents more direct (albeit imperfect) measures of policy change. For tax progressivity, we present changes in the ratio of the top statutory income tax rate to the "all-in" tax rate for a one-earner married couple with two children and average earnings. For unemployment compensation, the two measures presented in Table 7 are based on OECD data on net (post-tax) replacement rates, including social assistance and housing benefits as well as unemployment insurance benefits, for two hypothetical individuals who live with a partner and two children, and who have been unemployed for 6 months: one earning 67% of the average wage with a partner who does not work and the other earning the average wage with a partner who also earners the average wage. We first present show changes in the average net replacement rate for these individuals and then changes in the ratio of the replacement rate of the "average wage-earner" to the net replacement rate of the "precarious wage-earner."

[14] In all twelve countries, unemployment benefits account for a very large share income transfers to working-age households (*figures to be added*).

Restricted to country-survey items for which we observe statistically significant changes from 2008 to 2019, Table 8 sorts of our observations into three kinds of cases. What we refer to as "congruent cases" (identified by a plus sign) are cases in which average preferences and policy moved in the same direction. Except for France in the case of overall redistribution, these are all cases in which preferences and policy both moved in a redistributive direction. By contrast, "incongruent cases" (identified by a minus sign) are cases in which preferences moved in a redistributive direction but policy became less redistributive. Finally, "status-quo cases" (identified by a zero) are cases in which preferences moved in a redistributive direction, but policy did not move substantially in one or the other direction. Summarizing very briefly, we observe that overall redistribution moved against public opinion as often as it moved with public opinion. While status quo bias has been strong with respect to the structure of unemployment benefits, average net replacement rates and redistribution through governments have declined in most countries despite the public shift in favour of generous and egalitarian unemployment compensation. By comparison, we observe more responsiveness to public opinion in the domain of tax policy. Relative to average income tax rates, top statutory rates increased significantly in seven countries from 2008 to 2019.

[Table 8]

The limitations of the exercise presented in Table 8 should be clear. One objection might be that this exercise is misguided in that it focuses entirely on the direction of policy changes. Arguably, budgetary constraints and other considerations pushed all governments to retrench unemployment compensation in the 2010s, but public opinion shifts pushed governments in the opposite direction. By this logic, we would expect to observe smaller policy shifts away from redistribution in countries for which we observe larger opinion shifts in favour of redistribution. As shown in the appendix (Table A2), this does not appear to be the case: regressing policy changes on shifts in average public preferences yields no significant results whatsoever.

The contrast between tax policy and unemployment policy suggested by Table 8 strikes us potentially interesting. As indicated above, the public opinion shift in favour of tax progressivity appears to have been more consensual across income groups than the shift in favour of egalitarian unemployment compensation. To the extent that government policy has been more responsive to public opinion in the tax policy domain, this would seem to be consistent with the idea that policy tends to be more responsive to the preferences of high-income citizens than to the responsiveness of low- and middle-income citizens. We plan to develop this point in the next iteration of the paper.[15]

[15] The next iteration will also pay more attention to the preferences of middle-income respondents/citizens. For now, suffice it to note that increased polarization of preferences in the unemployment policy domain appears to be mostly (maybe entirely) a matter of divergence between respondents in the middle and the top of the income distribution.

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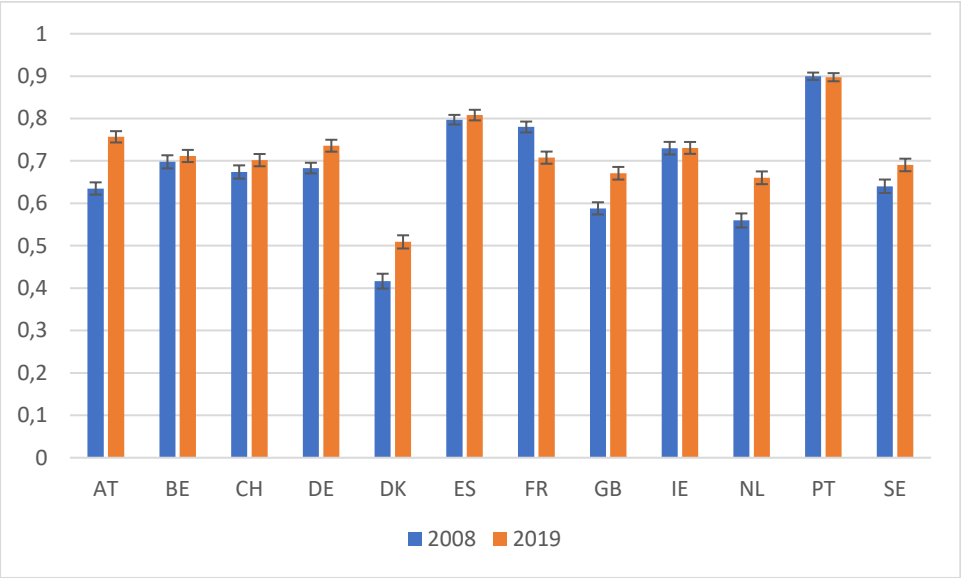
Figure 1: Share of respondents who agree or strongly agree with the statement that the government should take measures to reduce differences in income levels, by country



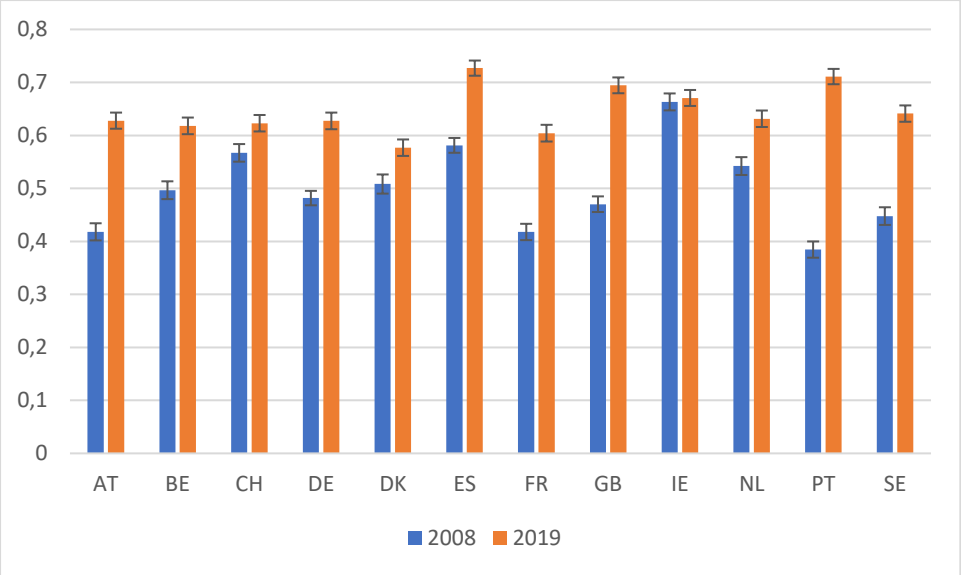
Note: Whiskers represent 84% confidence intervals.

Table 2: Polarization of redistribution support by income and its evolution over time

	polarization in 2008	change 2008-19
AT	.28***	-.06
BE	.10	+.16*
CH	.34***	-.02
DE	.33***	-.07
DK	.12**	-.05
ES	.17***	-.07
FR	.13***	+.19***
GB	.28***	-.10*
IE	.23***	-.22***
NL	.29***	-.01
PT	.09	-.03
SE	.17***	+.03

Note : * p<0.05 ; **p<0.01 ; *** p<0.001

Figure 2: Support for progressive taxation in 2008 and 2019



Note : whiskers represent 84% confidence intervals.

Table 2: Income based polarization of support for progressive taxation

	polarization in 2008	change 2008-19
AT	.05	-.01
BE	.13	+.02
CH	.11*	+.02
DE	-.02	+.08
DK	.12**	-.10
ES	.16***	-.21***
FR	.07*	+.08
GB	.12***	+.04
IE	.14*	-.12*
NL	.14**	.00
PT	-.27**	+.23*
SE	.06	+.05

Note : * p<0.05 ; **p<0,01 ; *** p<0,001

Figure 3: Support for generous state benefits to the unemployed, 2008 and 2019

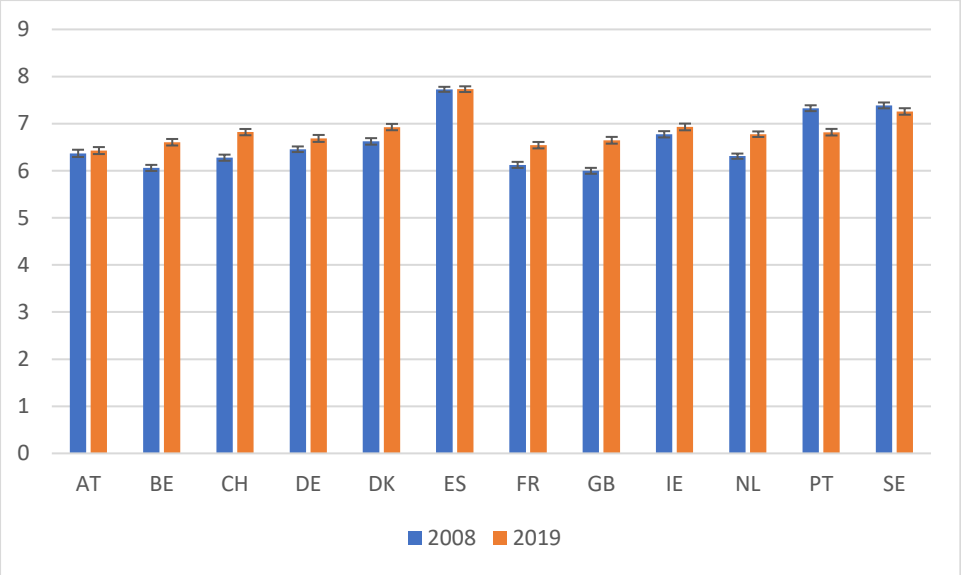


Figure 4: Support for progressive unemployment benefits, 2008 and 2019

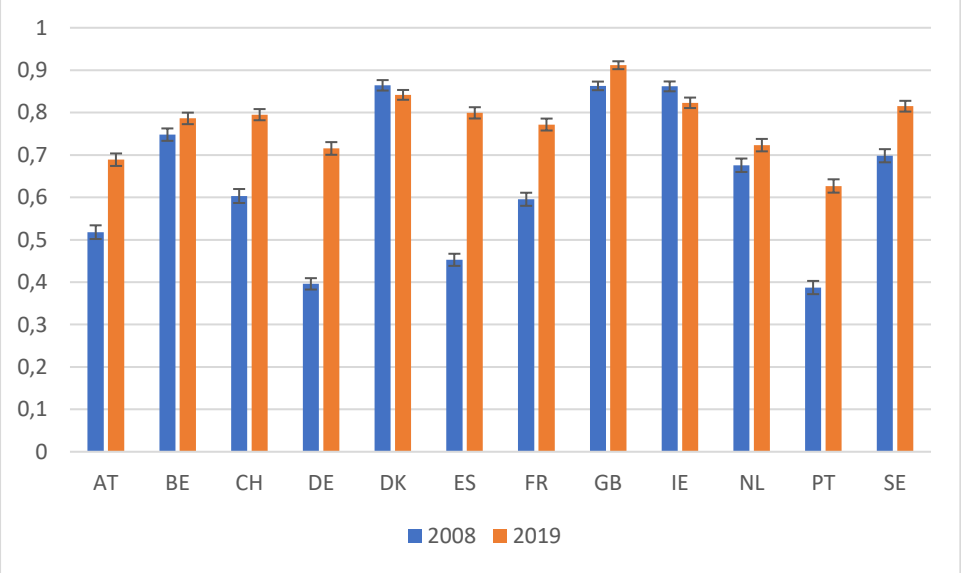
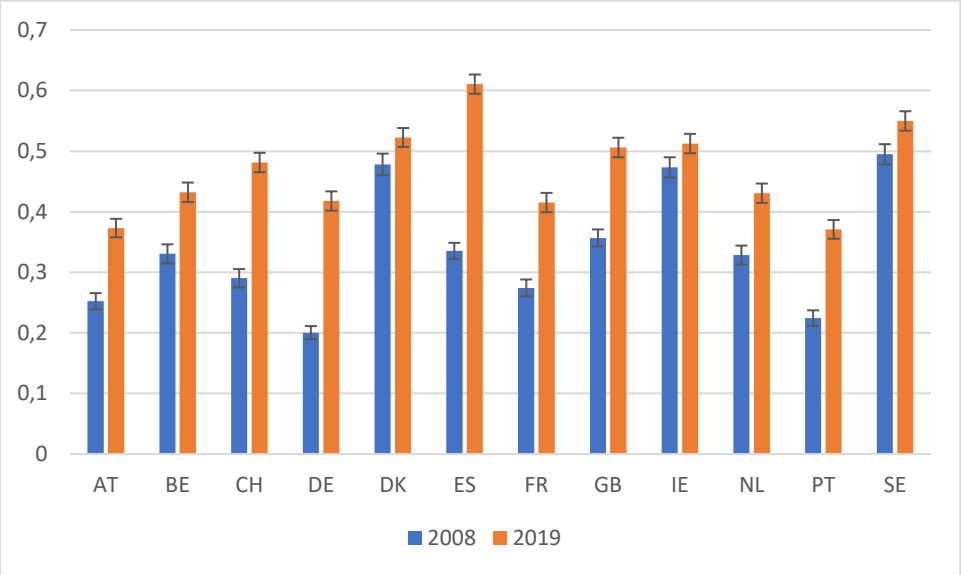


Figure 5: Share of individuals supporting generous and egalitarian unemployment benefits, 2008 and 2019



Note: whiskers represent 84% confidence intervals.

Table 3. Income based polarization of support for generous and egalitarian benefits (2008-19)

	Polarization in 2008	Change 2008-19
AT	-.17	+.31*
BE	.09	+.24**
CH	.08	+.10
DE	.23***	+.06
DK	.01	-.02
ES	.11*	-.06
FR	.03	+.15**
GB	.09*	+.08
IE	.19***	-.04
NL	.17***	+.04
PT	.08	-.01
SE	.04	+.07

Note : * p<0.05 ; **p<0.01 ; *** p<0.001

Table 4: Inequality indicators, 1994-2018

	top 10% income share (pre-tax)					Gini coefficient for disposable income				
	1994	2007	2018	change 1994-07	change 2007-18	1994	2007	2018	change 1994-07	change 2007-18
AT	33.3	35.3	33.4	+2.0	-1.9	27.9	28.4	27.8	+0.5	-0.6
BE	33.1	33.3	31.8	+0.2	-1.5	26.6	27.0	25.3	+0.4	-1.7
CH	30.0	33.5	31.9	+3.5	-1.6	28.5	30.6	29.7	+2.1	-0.9
DE	30.0	37.0	37.3	+7.0	+0.3	26.1	29.3	29.1	+3.2	-0.2
DK	28.2	30.5	33.3	+2.3	+2.8	21.7	24.1	27.3	+2.4	+3.2
ES	35.4	34.6	34.6	-0.8	0.0	34.9	29.7	28.3	-3.6	+1.5
FR	32.4	34.1	32.0	+1.7	-2.1	28.8	29.7	28.3	+0.9	-1.4
GB	34.2	38.6	35.9	+4.4	-2.7	33.7	32.9	32.3	-0.8	-0.6
IE	33.1	35.9	35.4	+2.8	-0.5	33.3	30.0	29.1	-3.3	-0.9
NL	26.8	31.0	29.9	+4.2	-1.1	25.6	27.1	26.8	+1.5	-0.3
PT	36.4	39.5	37.6	+3.1	-1.9		35.5	31.9		-3.6
SE	30.5	32.9	30.1	+2.4	-2.8	22.0	24.7	27.0	+2.7	+2.3

Sources: Top income shares downloaded from the World Inequality Database (https://wid.world/data/), Gini coefficients calculated based on LIS and EU-SILC data (averages for years with two separate observations). Note: First observations of Gini coefficients refer to 1995 for BE, NL and SE and to 1992 for CH. Our Gini estimates include all households.

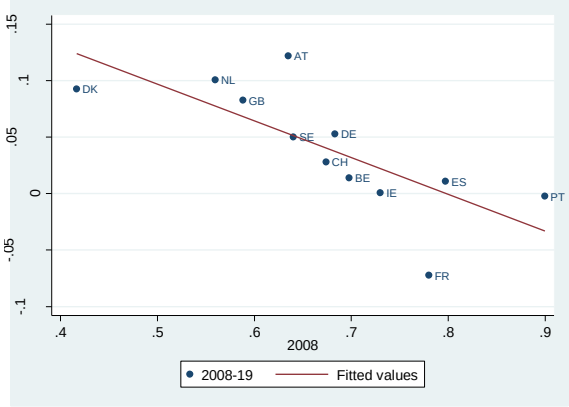
Table 5: GDP growth per capita and unemployment rates, 1994-2018

	average annual real growth of GDP per capita			average rate of unemployment		
	1994-2007	2011-18	change	2000-2007	2011-18	change
AT	2.33	0.83	-1.50	4.98	5.70	+0.72
BE	2.20	0.80	-1.40	7.72	7.64	-0.08
CH	1.69	0.89	-0.79		4.71	
DE	1.65	1.66	+0.01	9.37	4.67	-4.70
DK	2.05	1.29	-0.76	4.61	6.63	+2.02
ES	2.69	1.00	-1.69	10.28	21.37	+10.09
FR	1.83	0.89	-0.93	8.76	9.80	+0.94
GB	2.61	1.13	-1.48	5.13	6.07	+0.94
IE	5.68	3.48	-2.19	4.66	10.92	+6.26
NL	2.73	0.94	-1.79	4.50	5.89	+1.49
PT	2.29	0.88	-1.41	7.65	12.85	+5.20
SE	3.09	1.15	-1.94	6.51	7.38	+0.87

Sources: Growth rates taken World Bank National Accounts Data (https://data.worldbank.org/indicator/NY.GDP.PCAP.KD.ZG) and unemployment rates from OECD Main Economic Indicators (https://data.oecd.org/unemp/unemployment-rate.htm). Note that average growth rates for 1994-2007 do not include 2001-02 (recession years).

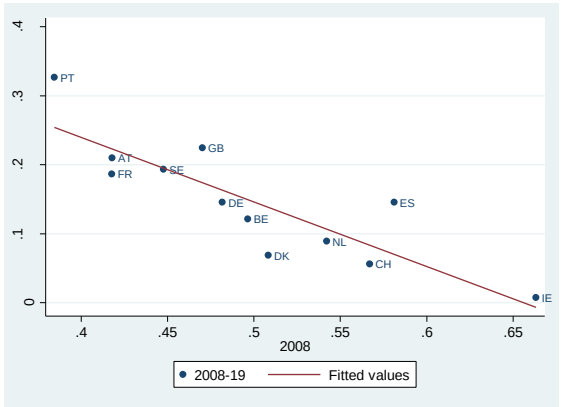
Figure 6: Ceiling Effects

A. Changes in support of redistribution plotted against 2008 levels



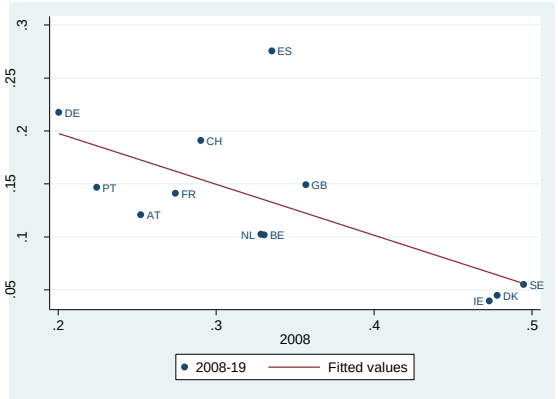
r = -.740 (p=.006)

B. Changes in support of redistributive income taxation plotted against 2008 levels



r = -0.857 (p=.001)

C. Changes in support of generous and egalitarian unemployment benefits plotted against 2008 levels



r = .669 (p=.017)

Table 6: Determinants of changes in public support for redistribution and redistributive taxation, 2008-19.

	Redistribution				redistributive taxation				generous and egalitarian unemployment compensation			
initial support		**-.421**		**-.442**		**-.935**		**-.947**		**-.610**		**-.481**
		(.021)		(.029)		(.000)		(.000)		(.003)		(.006)
2007 inequality	-.269	.501			1.166	**1.483**			**1.872**	**1.508**		
	(.714)	(.422)			(.314)	(.005)			(.042)	(.014)		
2007-18 inequality change	.880	-.046			-.325	1.097			1.685	**3.371**		
	(.502)	(.964)			(.870)	(.159)			(.259)	(.007)		
1994 inequality			.143	.300			1.201	**1.159**			**2.220**	**2.042**
			(.872)	(.654)			(.494)	(.027)			(.046)	(.009)
1994-2018 inequality change			.920	.120			.760	.719			2.349	**2.381**
			.486	(.906)			(.524)	(.277)			(.127)	(.024)
constant	12.107	17.819	-.145	24.847	-19.379	18.304	-8.884	28.343	-41.037	-9.428	-50.668	-29.016
	(.571)	(.282)	(.995)	(.267)	(.556)	(.170)	(.794)	(.065)	(.106)	(.564)	(.099)	(.137)
N	12	12	11	11	12	12	11	11	12	12	11	11
adj. R-square	-.002	.444	-.049	.420	.067	.884	-.174	.847	.269	.738	.298	.746

Bold = 95% confidence or better.

Table 7: Indicators of policy change

	redistribution (all households)		Taxation				unemployment compensation					
			statutory tax rate-rate progressivity		redistribution through income taxes (working age)		average net replacement rate		ratio of low- to high-income replacement		redistribution through transfers (working-age)	
	2008	change to 2018	2008	change to 2020	2008	Change to 2018	2008	change to 2020	2008	Change to 2020	2008	Change to 2018
AT	43.3	+1.2	1.34	+.86	15.2	-2.7	78.5	+5.5	.91	+.24	23.8	+0.1
BE	44.9	+3.8	1.72	+.33	16.1	+5.8	73.5	+5.0	.93	+.05	26.4	-1.4
CH	27.7	+4.9	3.50	+.39	0.0	0.0	88.0	-1.0	.96	-.02	15.5	+4.2
DE	43.9	-1.1	2.11	+.31	14.7	0.0	91.0	+0.5	.98	+.06	20.8	-3.2
DK	46.4	-2.6	1.87	-.09	14.3	-1.4	86.5	-0.5	1.14	-.01	27.3	-4.4
ES	30.6	+5.4	3.74	-.65	11.1	+0.3	81.5	-2.5	.85	+.03	15.9	+2.1
FR	38.1	+2.1	2.12	+.54	6.3	+6.2	81.5	-6.5	.94	-.18	26.0	-1.7
GB	36.4	+2.1	1.67	+.31	10.8	+0.3	64.0	-4.0	1.17	-.10	20.1	-0.6
IE	45.3	-1.8	4.18	-.75	17.1	+2.3	81.0	-6.5	1.41	-.25	29.6	-7.1
NL	46.8	+2.3	1.87	-.08	15.6	0.0	81.0	-3.0	1.00	+.03	23.3	-3.9
PT	35.1	+3.7	2.96	+.20	10.3	+5.5	86.0	-1.0	.81	+.02	16.7	-0.7
SE	40.7	-0.3	2.10	+.02	10.2	-0.3	82.0	-2.5	1.16	+.05	21.4	-2.3

Definitions: see text (to be added here). Sources to be added.

Table 8: Congruence of opinion and policy shifts

	redistribution	statutory tax rate-rate progressivity	redistribution through income taxes	average net unemployment replacement rate	ratio of low- to average-income replacement	redistribution through benefits (working-age)
AT	**+**	**+**	**-**	**+**	**+**	**0**
BE		**+**	**+**	**+**	**+**	**-**
CH		**+**	**0**	**-**	**0**	**+**
DE	**-**	**+**	**0**	**0**	**+**	**-**
DK	**-**	**0**	**-**	**0**	**0**	**-**
ES		**-**	**0**	**-**	**0**	**+**
FR	**-**	**+**	**+**	**-**	**-**	**-**
GB	**+**	**+**	**+**	**-**	**-**	**-**
IE				**-**	**-**	**-**
NL	**+**	**0**	**0**	**-**	**0**	**-**
PT		**+**	**+**	**-**	**0**	**-**
SE	**0**	**0**	**0**	**-**	**+**	**-**
congruent cases	**3/7**	**7/11**	**4/11**	**2/12**	**4/12**	**2/12**
status-quo bias	**1/7**	**3/11**	**5/11**	**2/12**	**5/12**	**1/12**
incongruent cases	**3/7**	**1/11**	**2/11**	**8/12**	**3/12**	**9/12**

Note: + = policy moved in the same direction as public opinion; - = policy moved in the opposite direction; and 0 = policy did not move. The analysis is restricted to cases in public opinion shifts are statistically significant. Very small policy changes are counted as zero: for redistribution, less than +/- 0.5; for statutory tax-rate progressivity, less than +/- 0.1; for tax redistribution, less than +/- 0.4; for average net replacement rate, less than +/- 0.6; for ratio of low-income to high-income replacement rate, less +/- 0.05; and for redistribution through transfers, less than +/- 0.08.

Table A1: Redistributive policy preferences by relative income

		redistribution		tax progressivity		egalitarian unemp. compensation	
		2008	2019	2008	2019	2008	2019
AT	1st quintile	0,72	0,83	0,30	0,66	0,22	0,39
	3rd quintile	0,59	0,79	0,47	0,64	0,18	0,26
	5th quintile	0,43	0,60	0,24	0,62	0,23	0,19
BE	1st quintile	0,77	0,79	0,55	0,66	0,30	0,43
	3rd quintile	0,75	0,72	0,57	0,64	0,17	0,27
	5th quintile	0,67	0,54	0,42	0,51	0,16	0,16
CH	1st quintile	0,79	0,83	0,62	0,67	0,19	0,44
	3rd quintile	0,74	0,66	0,57	0,62	0,14	0,28
	5th quintile	0,45	0,51	0,51	0,54	0,08	0,21
DE	1st quintile	0,79	0,85	0,47	0,62	0,21	0,42
	3rd quintile	0,70	0,76	0,50	0,66	0,12	0,25
	5th quintile	0,46	0,59	0,49	0,56	0,06	0,22
DK	1st quintile	0,48	0,52	0,59	0,57	0,35	0,37
	3rd quintile	0,43	0,52	0,52	0,60	0,27	0,43
	5th quintile	0,36	0,45	0,47	0,55	0,29	0,33
ES	1st quintile	0,87	0,82	0,61	0,70	0,32	0,53
	3rd quintile	0,82	0,85	0,59	0,74	0,27	0,54
	5th quintile	0,70	0,72	0,45	0,75	0,16	0,41
FR	1st quintile	0,82	0,81	0,44	0,66	0,20	0,38
	3rd quintile	0,82	0,72	0,43	0,66	0,21	0,26
	5th quintile	0,69	0,49	0,36	0,51	0,12	0,19
GB	1st quintile	0,72	0,74	0,52	0,75	0,25	0,47
	3rd quintile	0,61	0,68	0,49	0,71	0,18	0,31
	5th quintile	0,45	0,57	0,40	0,60	0,18	0,26
IE	1st quintile	0,77	0,71	0,68	0,66	0,35	0,43
	3rd quintile	0,73	0,79	0,62	0,68	0,32	0,43
	5th quintile	0,54	0,69	0,54	0,64	0,21	0,27
NL	1st quintile	0,67	0,76	0,59	0,66	0,24	0,37
	3rd quintile	0,62	0,68	0,57	0,64	0,17	0,27
	5th quintile	0,38	0,48	0,45	0,53	0,10	0,14
PT	1st quintile	0,93	0,91	0,32	0,67	0,18	0,37
	3rd quintile	0,88	0,92	0,37	0,75	0,09	0,26
	5th quintile	0,84	0,86	0,59	0,71	0,21	0,18
SE	1st quintile	0,69	0,76	0,48	0,66	0,42	0,51
	3rd quintile	0,69	0,68	0,48	0,61	0,37	0,41
	5th quintile	0,52	0,56	0,42	0,55	0,27	0,33

Table A2: Opinion shifts as predictors of policy change

	overall redistrib.	statutory tax rates	tax redistrib.	average replacement	replacement ratio	benefits redistrib.
initial level of policy indicator	**-.315**	**-.298**	-.050	.001	**-.563**	**-.399**
	(.034)	(.038)	(.806)	(.996)	(.055)	(.070)
support for redistribution	.011					
	(.924)					
support for redistributive taxation		.014	.081			
		(.314)	(.485)			
support for redistributive unemployment compensation				.035 (.847)	-.005 (.432)	.093 (.482)
constant	10.131	.635	.684	-1.920	.634	6.076
	(.027)	(.163)	(.833)	(.867)	(.079)	(.316)
N	12	12	12	12	12	12
adj. R-square	.277	.424	-.139	-.217	.240	.563

Note: bold = 90% confidence or better.