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Abstract

A questionnaire is used to assess the impact of race, current past and future family income, as well as political beliefs on the support for redistribution. Current income maximization predicts those with above average income oppose redistribution. However blacks support redistribution until income is well above average and whites oppose redistribution even if income is well below average. Those with incomes below average expect to move up and this prospect of upward mobility reduces support for redistribution. The rich are more likely to espouse arguments that protect their wealth. Most intriguingly, as blacks become richer support for redistribution falls especially rapidly.

JEL Codes: H23, C42

Keywords: POUM, redistribution, race, income, mobility

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1. Introduction

The fact that a majority in the US has less than average income raises the possibility that they will use the democratic process to redistribute income from the rich. Therefore it seems natural that a populist party would enjoy considerable success - and yet the order of the day continues to be lean government and tax reductions. Why doesn't the moderate-income majority vote their short-term self-interest and dominate politics?

Many possible explanations have been offered. Benabou and Ok (2001) argue the middle -income voters have longer-term horizons and may not support redistribution because they harbor realistic dreams of becoming rich. Piketty (1995) believes mobility convinces workers that effort is rewarded. Workers therefore are more likely to oppose taxes because they reduce the marginal return to effort. In his model there are two potential equilibria – a mobile society that rewards effort and therefore has low taxes and an immobile society with high taxes.

Roemer (1998, 2001) shows how racial divisions may force parties to moderate their stance on redistribution. The party of the rich may be able to siphon off middle-income white votes by protecting white people's privileges even though they propose low taxes. In response, the populist party has to appeal to rich supporters of affirmative action by reducing proposed taxes. Evidence of such a link between race and redistribution is also provided by Alesina, Glaeser and Sacerdote (2002), Corneo and Gruner (2002) and Fong (2001).

Louis Putterman (1997) provides an extensive list of other possible explanations and some guesstimates of their relative importance. He attributes 35% of the tax forbearance to the belief redistribution will in some way reduce growth, 20% to the belief that wealth is legitimately acquired, 15% to subversion of the political process by the rich, 10% to greater participation in politics by the rich, 10% to dreams of becoming rich and the remaining 10% to local histories

and social movements. We hasten to add that the Putterman scorecard is a small part of a deep and interesting paper. Many of the topics covered are too detailed to be addressed in a questionnaire.

We approach the question by constructing a questionnaire. We ask respondents to indicate if they support higher taxes on the rich if the proceeds are used to help the poor. We collect their past, current and expected incomes reported on a 10-point scale with 5 as the average. This allows a simple presentation of results. Do respondents reporting above average income oppose additional taxes as self-interest suggests? Are respondents shortsighted or do they consider expected income while formulating an opinion?

We follow up with a number of questions soliciting the respondent's reasons for supporting or opposing redistribution. Most of these questions are adapted from Putterman (1997). Space to write in any reason we fail to cover is also provided. Finally, we collect data on race, gender, age, occupation etc.

Briefly, the responses provide strong support for the theoretical foundations provided by Roemer and Benabou and Ok. Race, current and future incomes play dominant roles but not precisely in the ways these authors suggest. It appears that our respondents do not form separate opinions about race, income, mobility and redistribution but that instead these are inextricably linked. Research in social psychology will shed some light on the possible linkages. Putterman's guesses match our respondent's opinions fairly well except that our respondents give greatest weight to the moral legitimacy of wealth. Both Putterman, and our respondents, massively underestimate the importance of race.

2. Why might moderate-income voters oppose redistributive taxes?

If people with below average incomes believe they will soon enjoy a higher income they may rationally oppose redistributive taxes. Benabou and Ok (2001) provide a thorough formal treatment of the POUM hypothesis wherein they argue that given a concave mobility function the set of voters with expected incomes above the mean is larger than the set with current incomes above the mean. To illustrate how this can happen consider a three-person society with low, middle and high incomes. Let the high income be high enough that the average income is between middle and high. Therefore when considering current income alone, a majority of voters is in favor of income-equalizing taxes and transfers. Now consider mobility between middle and high. If there is some prospect that middle and high will exchange places then the expected income for middle rises and the expected income for high falls. As long as mobility is less than 50% the rank of expected incomes will be preserved but the expected income of middle may rise above the average. The required concavity of the mobility function is present in that mobility is concentrated on the swing voters just below average income creating an arc if expected income is plotted against current income. [1]

Our primary motive for the questionnaire is to provide a simple clean test of the possibility of upward mobility (POUM). Our questionnaire collects preferences on increasing taxes to redistribute income and also collects information on current, past and expected income on a 0 to 10 scale where 5 is average. Therefore we are able to relate preferences to the

[1] For example, let the incomes be 20, 30 and 50. The average is 33.3 and a majority benefits from taxes and redistribution providing 33.3 to all. If there is a 20% chance that middle and high exchange places middle's expected income is .8(30)+.2(50) = 34 and now a majority supports no redistributive taxes. It is also easy to confirm the mobility function is concave. Plot expected income against current income. Compared to the 45 degree line, low is on the line, middle above it and high below it producing the characteristic concave shape with expected income rising rapidly from low to middle then less rapidly thereafter. See Benabou and Ok (2001) for a fuller explanation.

respondent's beliefs about their relative positions over time. This is the main advantage of our survey and allows us to estimate not only if income and expected income affect support for redistribution in the expected directions but also allows us to estimate the current income where support for redistribution is 50%. Someone who maximizes current income will shift from support to opposition at precisely average current income. The POUM hypothesis states that the crossover occurs at a lower level of current income due to the concavity of expected mobility. We will be able to directly check if expected mobility has the required concavity and show how far the crossover point is shifted.

There are a number of existing studies relating current and expected income to preferences for redistribution. Ravallion and Lokshin (2000) use data collected from a survey of Russian households in 1996. Their main result is that the coefficients linking income and attitudinal variables to support for restricting the rich are quite different for those who expect to move up. Corneo and Gruner (2002) pull their data from the International Social Survey Program and use past mobility as a proxy for expected mobility and they find a significant effect. Fong (2001) uses a Gallup survey that asks the respondent to rate their life on a 0 to 10 scale in the past, present and future and also finds that expected future well-being reduces support for redistribution. Given that different people may have different conceptions of what constitutes a good life we are not sure what the question measures. [2] While we believe each of these papers has its virtues, our approach is more direct and will allow us to check the concavity of the mobility function and the effect of mobility on support for redistribution.

Roemer (1998, 2001) shows how party politics may link race and redistribution. However, our survey will show that race and redistribution are powerfully linked even before

[2] The question is: "Think of a picture of a ladder. Suppose we say the top of the ladder represents the best possible life for you, and the bottom represents the worst possible life for you. If the top step is '10' and the bottom step is '0' on which step of the ladder do you feel you personally stand at the present time?" (Fong, 2001, p. 244).

partisan politics enter the picture. Of course it remains possible that parties link race and redistribution even more securely than preferences alone would justify therefore our results in no way conflict with Roemer's work. Still, it remains to be shown why race and redistribution are linked in our respondent's minds. We will draw on a large literature to explore linkages and make some progress in narrowing the field of potential explanations, but the reader is warned no definitive link will be found.

Social psychology offers some clues as to why race and support for redistribution are linked: common fates and self-esteem may induce individuals to identify with a group. If interdependencies within a group lead to a common fate then the individual members benefit from the formation of the group. Membership may also confer status and improve self-esteem if the group is unusually successful. Both of these ideas fit easily in the utilitarian tradition but there is another mechanism of group identity that may seem less natural to economists: "when individuals are committed to group membership, ingroup defeat produces even higher levels of ingroup preference than does success." (Gilbert et al. 1998 p. 564.)

Pettigrew (2002) provides an excellent review of both the evolution of race relations in the US and its impact on social psychology. Slavery, lynchings, segregation, and the Great Depression all create defeats that forged a strong group identity. The civil rights movement created positive interdependencies and heightened group status. The strong group identity of African-Americans is therefore no mystery. It is well established that groups are more likely to ascribe failures by group members to events beyond the individual's control (Gilbert et al p. 561). If a group is poor despite their own good efforts, then the group may see redistribution as their right.

If whites also form a group, then the tendency to ascribe failures by outgroup members to the individual's personal failings tends to limit sympathy and assistance. This appears to be the foundation for the theory of modern racism where whites are said to "believe that blacks are gaining undeserved status and attention pushing themselves where they are not wanted, and that blacks' anger is unreasonable because discrimination is no longer a problem." (Gilbert et al. p. 359). However, the mechanism for the creation of a white group identity is not altogether clear.[3] Various theories have been offered. It may be that the creation of a black group implies a white group in that whites feel threatened by black advances. It may be that whites are more likely to come in contact with upwardly mobile blacks and therefore underestimate the remaining difficulties poor blacks continue to face.

All of these explanations focus on group identity and provide reasons why groups help their own members. Tests of this hypothesis typically specify proposals that aid an identifiable group. For example Alvarez and Brehm (1997) specifically ask if the respondent supports higher taxes to improve educational opportunities for minorities. This allows whites to oppose taxes aimed at minorities while continuing to support services for whites. Our question is more general and asks if taxes on the rich should be used to help all poor people. It remains unclear why poor whites would oppose redistributive schemes that benefit them directly.

Economists offer some potential explanations. If we extend Piketty's argument to the racial domain it seems natural to argue that immobile blacks doubt effort is rewarded and support redistribution while mobile whites believe hard work is rewarded and oppose redistribution. Our sample will allow a direct test of this hypothesis because we record race, expected mobility and support for the idea effort is rewarded.

[3] Social psychologists have been working in this area for over 100 years and we are familiar only with a few basic reference works. If we missed something obvious we apologize.

On the other hand, we may use the social rivalry hypothesis put forward by Corneo and Gruner (2002) where redistribution mixes up neighborhoods and occupations threatening the prestige and self-esteem of whites. Poor whites may therefore avoid redistribution to preserve high-status neighborhoods and jobs. Corneo and Gruner use data on the social prestige of occupations that allows them to show the effect of redistribution on occupational prestige matters even after controlling for income effects.

A number of studies link race and redistribution. Alesina, Glacer and Sacerdote (2001) construct a racial heterogeneity variable and find that countries with greater heterogeneity have less redistribution. Luttmer (2001) shows that support for redistribution among people with poor neighbors rises or falls if the neighbors are the same or a different race. Alesina and LaFerrara (2000) show that participation in social activities involving direct contact between individuals is lower in racially fragmented communities in the US. The same authors (2001) show that trust is higher in more racially homogeneous communities. Glaeser, Laibson, Scheinkman and Soutter (2000) document experimentally that people of different races are more likely to cheat one another. Fong (2001) shows that white males are less likely to support redistribution.

The stage is now set. There are a number of theories for middle-income voters opposing redistributive taxes and these have been cleverly tested with existing data sets. Our design, however, will allow us to find the crossover point in voter support: at what income level will voters have a 50/50 probability of supporting redistribution? Is it mean income as current income maximization suggests? Will expected income be considered, will it have the form required by the POUM hypothesis and will it significantly shift the crossover point? Issues of race are also very interesting but designing questionnaires that uncover racial preferences is a

tricky task and we decided not to include racially explicit questions. We needn't have worried - the race issue is so strong it emerges quite naturally.

3. **Results**

The questionnaire, reproduced in the appendix, was administered to 1096 respondents at the University of Alabama, North Carolina Agriculture and Technology, East Carolina University, the Denver and Boulder campuses of the University of Colorado, Colorado State University at Fort Collins and Guelph (in Ontario). We essentially imposed on our colleagues who used their students as respondents. Therefore many of the respondents are business or economics majors.

The first question is: "Do you think rich (high income) people in the U.S. should be taxed more with the money given to the less fortunate so that income and wealth are more equally distributed? Circle your response."[4] There are 283 Yes responses, 700 No, 100 uncertain and 13 missing for a total of 1096. Therefore support is 26% with 65% opposed and 9% uncertain.

The questionnaire solicits information about the respondent which we coded as indicated in table 1. There are a number of dichotomous variables that indicate whether the respondent self-identifies them self as White, African-American, Hispanic, Asian or Other.[5] About 72% of the sample is White with 13% African-American, and 8% Asian. Respondents are 53% male, fairly tightly grouped around 21 years of age, with 60% that paid income taxes and 42% that voted.[6] They are also rather prosperous and politically moderate as the average current family income is recorded as a 7 and liberalism averages 5 on a 10 point scale. The income questions refer to current, past and future income. These have been coded to reflect current income and the relative status of current to future and past income. Our respondents see themselves as being

[4] The questionnaires in Canada referred to Canada, not the US.
[5] The Canadian questionnaire allowed only White, Asian and Other. Given there is only one 'other' we do not see this as a significant difference.
[6] The Canadian questionnaire asks if the respondent voted in the most recent Federal election. (The US questionnaire asks about the Presidential election.)

upwardly mobile, having climbed 1.4 points on the 10 point scale and fully expecting to climb one more step in the next 10 to 15 years.

The number of responses is recorded for each variable. We will make use of a procedure provided by King, Honaker, Joseph and Scheve (2001) to handle missing data.

Some of the characteristics are correlated with each other. For example churchgoers tend to be conservative southerners while Asians are more likely to identify themselves as immigrants. Table 2 reports the correlation coefficients that rise above 15% in absolute value.[7] The strongest correlations are among the income categories. Apparently those that have done badly recently expect the future will be brighter. It is intriguing that white is correlated with high current income but is also correlated with pessimism about upward mobility.

Our questionnaire collects the data we believe may be important; therefore all regressions reported in this paper use all the variables listed in table 1. We have no additional variables to check for the robustness of results, and sensitivity testing is confined to dropping variables or altering functional form. We are fortunate that the higher correlations occur in the income group where theory leads us to include all three variables. The remaining correlations are not particularly high but some will play a significant role.

We use ordered probits in our analysis. The response to question 1 is coded as a 1 if "No", 2 if "Unsure" and 3 if "Yes". Ordered probits can be difficult to interpret but our circumstances are straightforward. Let $R^* = X\beta + \varepsilon$ represent the unobserved levels of support for redistribution where X is the data matrix and β is a vector of coefficients. Then β and γ are selected using standard maximum likelihood techniques to assign probabilities to the responses 1, 2 or 3. The assignments are made as follows:

[7] The correlations among the races are of course strong and negative. Someone that reports they are African-American does not report they are white. These are obvious and unreported.

$$PR(R_i = 1 \mid x^i, \beta, \gamma) = F\left(\gamma_1 - x^i\beta\right) \quad (1)$$

$$PR(R_i = 2 \mid x^i, \beta, \gamma) = F\left(\gamma_2 - x^i\beta\right) - F\left(\gamma_1 - x^i\beta\right) \quad (2)$$

$$PR(R_i = 3 \mid x^i, \beta, \gamma) = 1 - F\left(\gamma_3 - x^i\beta\right) \quad (3)$$

where x^i is the i^{th} row of X and F is the cumulative normal distribution function. In general, it is difficult to relate even the sign of any coefficient to its influence on probabilities – as can be clearly seen from equation (2) where the coefficients are given opposing influences on the probability the respondent is unsure. However, equations (1) and (3) show a positive coefficient reduces opposition and increases support. Therefore a positive coefficient does indicate greater support for redistribution.

Table 3 presents the results with support for redistribution as the dependent variable.[8] Columns (a) and (b) compare the list delete and multiple imputation methodologies. These are different only in the way they treat missing data. Column (b) ignores all the information from a given respondent if any one necessary piece of information is missing. Column (a) employs a methodology provided by King et. al. (2001) that uses all the responses from all respondents to estimate missing values. In our case, the differences are small therefore we will proceed under the assumption that missing data is not a serious problem.[9] Column (c) adds those interaction terms with black that are significant at conventional levels.

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[8] We do not include a constant term because the γ_i serve the function of an intercept within each category.

[9] King et. al. provide a program, Amelia, available at http://Gking.Harvard.Edu. Amelia uses all the data provided to generates five complete data sets with missing data estimated. The analyst then conducts whatever exercise he is interested in on all five data sets and then combines results according to rules provided in King et. al. (2001 p. 53). In our case, the coefficient estimates are the average responses from the five data sets and the variances are the average of the five variances plus 1.2 times the variance of the five coefficient estimates. In effect, we add the variance within each imputation to the variance between imputations – weighted by a factor because imputations are not infinite. Programs that correct for truncation or censoring biases are in widespread use. Missing data may impart a similar bias if people of a particular race, age or income are less likely to respond. Knowing that - at least up to our current ability to test - missing data does not bias results is reassuring. The disadvantages include a significant investment in time and the fact that one quickly comes to the limits of known procedures with imputed

Race immediately emerges as a major determinant of redistribution preferences. Compared to whites, Asians are more likely to support redistribution and black support is higher yet.[10] Figure 1 illustrates by presenting the estimated probabilities from column (c). The picture that emerges is one of a highly polarized society, with poor blacks far more likely to support redistribution than poor whites. As income increases, the gap between white and black support levels narrows substantially reflecting the significant interaction affect between black and current income. Asian support offers a convenient reference, as it is nearly what one would expect if Asians maximized current income. Asians with income above five are likely to oppose redistribution and Asians with incomes below 4 are likely to be supportive. [11] The crossover from support to opposition occurs for whites at an income level of about 2 and for blacks near an income of 8. The fact our respondents are students make these results even more dramatic: Race powerfully conditions attitudes even among our educated young people.

We consider the particularly strong effect of income on black support for redistribution to be one of our most interesting results. The effect strongly suggests that group identity is heavily conditioned by current economic status: if the declining support levels among whites measures the normal effect of income within a group, the higher effect of income on black support may reflect weakening group ties as blacks become rich.

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data. We follow Scheve and Slaughter (2001) and report none of the usual goodness of fit statistics for (a) because none are currently available for imputed data.

[10] If we drop Age, Female, Business, Migrant, Church, Vote and Tax the remaining coefficients and standard errors are qualitatively similar except for the coefficient of Asian. This coefficient increases and becomes significant at the 5% level because Asian and Migrant are strongly correlated. Dropping only Migrant produces nearly the same increase in the coefficient.

[11] Support levels are calculated from column (c) in Table 3 with average values of variables other than race or current income according to the formulas set out in (2) and (3) with the exception that the average used for migrant is conditional on being Asian or non-Asian. Given someone is Asian, the average value of migrant is .53, if they are non-Asian the average is .06. Race is set to 1 or 0 as appropriate and YC gradually rises from 0 to 10.

Our questionnaire is also designed to measure whether expected income influences redistribution preferences as Benabou and Ok (2000) surmise.[12] They require not only that voters take expected income into account but also that the mobility pattern influences the swing voters most. As a first step we regress expected upward mobility on a constant, current income, current income squared and current income cubed. The coefficient on current income is positive, the coefficient on the square is negative and both are significant at the 1% level consistent with concavity. The equation is then used to forecast mobility. Figure 2 presents support levels for redistribution applying the equation in column (c). One estimated support level uses forecasted mobility and the other uses average mobility while both use the Asian intercept.[13] The difference between the two support levels shows the effect of expected mobility and shifts the crossover point from above four to below one. Support drops below 50% for all but the poorest and remains below 50% for the rich demonstrating how concave mobility may decrease support for redistribution. This three-step shift in the cross over point due to upward mobility is even stronger than the effect of being white. However, our respondents are students and students may see themselves as more mobile than society at large. Therefore we should conclude only that the POUM hypothesis is a powerful influence among students.

The remaining coefficients in table three are unsurprising and easily interpreted and we move on to the rest of the questionnaire. Among other things, we will get some clues as to why race and redistribution are so closely linked. For all questions, respondents are asked to rate the importance of a series of statements on a 0 to 10 scale. Table 4 presents the questions and their average responses.

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[12] Theory suggests that support for redistribution may shift dramatically around mean income. Therefore we constructed an indicator variable that was 1 if current income was within one unit of 5. This proved insignificant. We also tried a cubic in current income, this also failed to improve the fit of the equations reported in table 3.

[13] We again use the conditional mean for migrant. The regression of YF-YC on YC, YC^2 and YC^3 has an R^2=.52.

Supporters of redistribution do not believe the rich became rich unfairly and tend not to be interested in abstract equality. Instead, they point to the moral responsibility of the rich and the possibility that inequality will lead to social strife. None of the responses to question 2 are rated highly suggesting the main reasons may be in the 58 written responses. Of these 42 put forward some version of a fairness argument. Respondents often claim the poor work hard and are entitled to have basic needs met. Ten point out that the poor are more likely to spend income and this will boost the economy. No one mentions race.[14]

The responses to question 3 indicate opponents of redistribution strongly believe the rich are entitled to the fruits of their labor. The possible disincentive effects on saving or work effort get moderate support as do the propositions that the poor may become rich and that the right to private property is important for freedom. The written responses typically restate a version of these arguments with differences in emphasis. [15] Again, no one mentions race.

The fourth question asks about each respondent's perception of public opinion. Our respondents strongly agree that middle income voters will support tax cuts skewed to the rich as long as they get something as well. This mirrors experimental results reported in Beckman et al (2002) where small side payments are enough to dramatically reduce opposition to payments to the rich. Our respondents also give strong credit to the disproportionate influence the rich have on politics through campaign contributions. The propositions that the rich are more likely to vote and that globalization implies high taxes force firms offshore get moderate support while

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[14] A few specifically argue that a dollar to a poor person is worth more than to a rich person. Three claim the rich subvert the political process and two are clearly envious. No one argues that taxes should be increased because they personally will benefit.

[15] 65 of 117 written responses make some reference to efficiency or incentive effects. Often the statements blend efficiency arguments with fairness – people that work hard and contribute to growth deserve to keep their earnings. Fairness issues are the second most popular - with 41 responses, however the division between fairness and efficiency is quite arbitrary for many of the remarks. Fairness takes many forms: some argue the poor are doing just fine as it is, or the poor need to have consequences for their decisions, and a few even argue the poor want to be poor.

the ideas that the rich spread the wealth to buy support or that taxes are determined in back room deals are not popular. The written responses are the most varied once respondents speculate about the motives of others. Several question the basic intelligence of voters but none mention race. [16]

It is interesting to contrast these results to the guestimates of Putterman. He estimates that 35% of the opposition to taxes is due to fear of negative long run consequences for the average citizen; 20% to the moral legitimacy of wealth - although he speculates this may be more important in the US than Europe; 15% to the rich hijacking the political process through campaign contributions; 10% to the possibility of upward mobility; 10% to the greater voting proclivities of the rich and 10% to local social movements. Our respondents give their highest rating to the moral legitimacy of wealth as captured in question 3a. The second highest rating goes to the form of the tax cut in question 4f and efficiency arguments come in third in questions 3b, 3c and 4c. Our respondents agree with Putterman in that they rate hijacking the political process (4a) next with POUM (3d) and the voting proclivities of the rich (4b) tied for last. However the largest error Putterman makes is not even mentioned by our respondents. He rates history and social movements at 10% while race relations in the US appear to be a powerful influence even when set against current income. Overall then, Putterman appears to underrate morality, the form of the tax cut and race relations at least for US respondents.

Tables 5, 6 and 7 report how these support levels break down across respondent characteristics. The dependent variable in each table is the support level on a 0 to 10 scale and we once again use ordered probits.

[16] 26 of 71 point out that people like more money and politicians are rewarded for giving it to them. It is interesting that people believe this about others but not themselves. 10 claim voters do not understand the consequences of tax reductions, 9 argue for small government, 8 assert the rich have a right to their property, 11 that tax cuts affect growth, 6 that the rich have greater influence and three mention fairness. These mimic options already available except the assertions that voters are uninformed and government is inefficient.

Perusing these tables we find that African-Americans give more importance to all the reasons listed to support redistribution and less importance to all the reasons listed to oppose redistribution. For example, African-Americans are more likely to believe that inequality breeds social conflict, that the rich are more likely to vote and that taxes are settled by back room politics. They are less likely to believe the rich obtained their wealth through the fruits of their own labor. Such beliefs lend themselves to multiple equilibrium models similar to Piketty. If politics are unfair, there is little reason to vote. If income is not earned then there is little reason to exert effort. In an unfair society where democratic processes are ineffective social conflict may seem a rational solution. While none of these ideas point to a particular multiple equilibrium trap, they do suggest the multiple equilibrium methodology may be fruitful.

However our conjecture that whites see themselves as mobile and blacks see themselves as immobile producing divergent views on how society rewards effort does not fare well. At least among our students, blacks expect greater upward mobility. In our survey there are 132 black responses with YF-YC available. YF-YC > 0 for 99, YF-YC = 0 for 31 and YF-YC < 0 for 2. For non-blacks there are 915 observations divided as 492, 290 and 133 across the same categories. The Pearson chisquare statistic is 26.9 and the probability of a larger statistic given homogeneity is 0.000. Black support for redistribution does not require personal pessimism about future income.

Income emerges as a powerful influence on opinion in quite predictable ways. Higher income reduces ratings for all the reasons listed to support taxes and increases ratings for all the reasons listed to oppose taxes. Once respondents speculate about the opinions of others, income only increases the rating for globalization. These are all self-serving beliefs in that they shelter income from taxes and remind us ideology may well follow social position.

Southerners and liberals have directly opposing tendencies for questions 2 and 3 but both tend to agree that the rich have disproportionate influence through lobbying. We leave the remaining sporadic influences to the reader. Given the large number of variables the possibility of false positives is quite real and there is danger in interpreting every coefficient.

Conclusions

An important reason Americans oppose redistributive taxes is a reason Putterman – and all of our subjects – fail to mention: race. Asians appear to maximize current income with support for redistribution crossing the 50% level close to average income. For whites, the 50% support level occurs two steps lower on a 10 step scale. Black support is nearly unanimous among the poor but drops off rapidly as income rises so that opposition levels for rich whites and blacks are similar.

The social psychology of groups offers some clues as to the reasons. The formation of a black group that sees itself as necessary for mutual defense and progress is natural enough given US history. Ingroup members are likely to be given the benefit of the doubt and failings are attributed to external causes - therefore redistribution is fair. The reasons for the creation of a white group identity are less obvious. However once the group identity is created, whites are likely to see blacks as personally responsible and therefore redistribution is not warranted. While this is simple, it does not explain the opposition to redistribution by poor whites that benefit from redistribution – unless somehow there is status and self-esteem to protect. We suspect this will be an active area of research for some time.

The possibility of upward mobility also receives strong support. Respondents not only consider expected income but it is precisely those with incomes just below average that expect to move up the most. This effect is actually larger than the effect of being white. However, given

that our student respondents may be more mobile than society at large, we need to be cautious and conclude only that both race and expected mobility are powerful affects on the preference for redistribution.

The rich tend to form beliefs that rationalize tax relief. The rich are more likely to believe they earned their rewards fairly, that redistribution reduces the incentive to work and save, that property is a right and that the global economy limits the ability to tax. The rich are less likely to believe they have a moral responsibility to the poor or that social stability is affected by inequality. Perhaps the most interesting effect of income is the more rapid decline in support for redistribution as blacks become richer. This raises the prospect that the group identity of blacks may fracture.

We are also able to contrast our respondents' opinions with Putterman's. Our respondents give higher priority to the moral legitimacy of wealth and the form of tax relief. They give less importance to efficiency effects. Both our respondents and Putterman underestimate the importance of race.

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Table 1
Definitions of variables and descriptive statistics.

Variable	Definition	Obs	Mean	Std. Dev.
Black	0, 1: if African-American	1063	0.124	0.330
Hispanic	0, 1: if Hispanic	1063	0.038	0.190
Asian	0, 1: if Asian	1063	0.077	0.267
Other	0, 1: if other.	1063	0.040	0.195
Female	0, 1: if female	1066	0.488	0.500
Business	0, 1: if major is business or economics	1052	0.634	0.482
Age	Age in years	1054	20.658	3.826
Church	0, 1: Regular church goer	1068	0.379	0.485
Immigrant	0, 1: Self, or parents, are immigrants	1067	0.097	0.460
Vote	0, 1: if subject voted in 2000 Presidential election.	1056	0.439	0.497
Tax	0, 1: if subject paid taxes in 2000.	1061	0.622	0.485
Yc-Yp	Difference in family's economic status between now and 20 years ago. Both current (Yc) and past (Yp) status on 0 to 10 scale.	1056	1.355	2.210
Yc	0 to 10: Family's current economic status.	1060	6.664	1.724
Yf-Yc	0 to 10: Family's expected economic status 10 to 15 years from now relative to current status.	1053	1.092	1.896
South	0, 1: respondents are from Alabama or Carolina	1096	0.523	0.500
Liberal	0 to 10: Political views from extreme conservative to extreme liberal.	1044	5.269	2.269

Table 2
Correlations above |0.15|

Pair	Correlation	Pair	Correlation
Black, Church	0.181	Black, Yf-Yc	0.167
Yc, Yc-Yp	0.465	Yf-Yc, Yc-Yp	-0.369
Yf-Yc, Yc	-0.721	Vote, Tax	0.167
Asian, migrant	0.298	Other, Migrant	0.158
Liberal, Church	-0.184	Vote, Asian	-0.169
Vote, Age	0.275	Tax, Age	0.200
Age, Migrant	0.251	South, Age	-0.197
Black, South	0.279	South, Asian	-0.189
South, Church	0.257	Yf-Yc, migrant	0.154
South, Tax	-0.208	White, Yc	0.180
White, Migrant	-0.238	White, Yf-Yc	-0.168

Table 3
Ordered Probit: Dependent = 1, 2, 3
if oppose, unsure or support tax and transfer.

	(a) Multiple Imputation Obs. = 1096	(b) List Delete Obs. = 963	(c) List Delete Obs. = 963
BLACK	0.737**	0.672**	2.402**
	(5.743)	(5.014)	(4.198)
HISPANIC	0.247	0.108	0.088
	(1.197)	(0.490)	(0.398)
ASIAN	0.291	0.241	0.242
	(1.861)	(1.358)	(1.363)
OTHER	0.230	0.299	0.281
	(1.138)	(1.288)	(1.209)
YC-YP	-0.025	-0.029	-0.029
	-(1.161)	-(1.323)	-(1.332)
YC	-0.190**	-0.180**	-0.158**
	-(5.309)	-(4.775)	-(4.040)
YF-YC	-0.151**	-0.144**	-0.145**
	-(4.834)	-(4.387)	-(4.389)
AGE	-0.010	-0.011	-0.013
	-(0.863)	-(0.881)	-(1.074)
FEMALE	-0.042	-0.050	-0.058
	-(0.511)	-(0.578)	-(0.669)
BUS	0.015	0.002	-0.002
	(0.177)	(0.019)	-(0.023)
CHURCH	0.069	0.083	0.088
	(0.774)	(0.895)	(0.944)
MIGRANT	0.043	0.159	0.177
	(0.427)	(1.065)	(1.184)
VOTE	-0.125	-0.160	-0.165
	-(1.446)	-(1.747)	-(1.798)
TAX	0.017	0.058	0.083
	(0.194)	(0.635)	(0.902)
SOUTH	-0.274**	-0.280**	-0.288**
	-(2.925)	-(2.774)	-(2.843)
LIB	0.119**	0.122**	0.143**
	(6.104)	(6.018)	(6.476)
BLACK*YC			-0.160*
			-(2.045)
BLACK*LIB			-0.127*
			-(2.235)
LR statistic		129.140	139.704
Probability		0.000	0.000
Pseudo-R2		0.079	0.085

*, ** indicate significance at the 5% and 1% levels.
z-Statistics are reported in the parentheses.

Figure 1 - Racial polarization in tax support

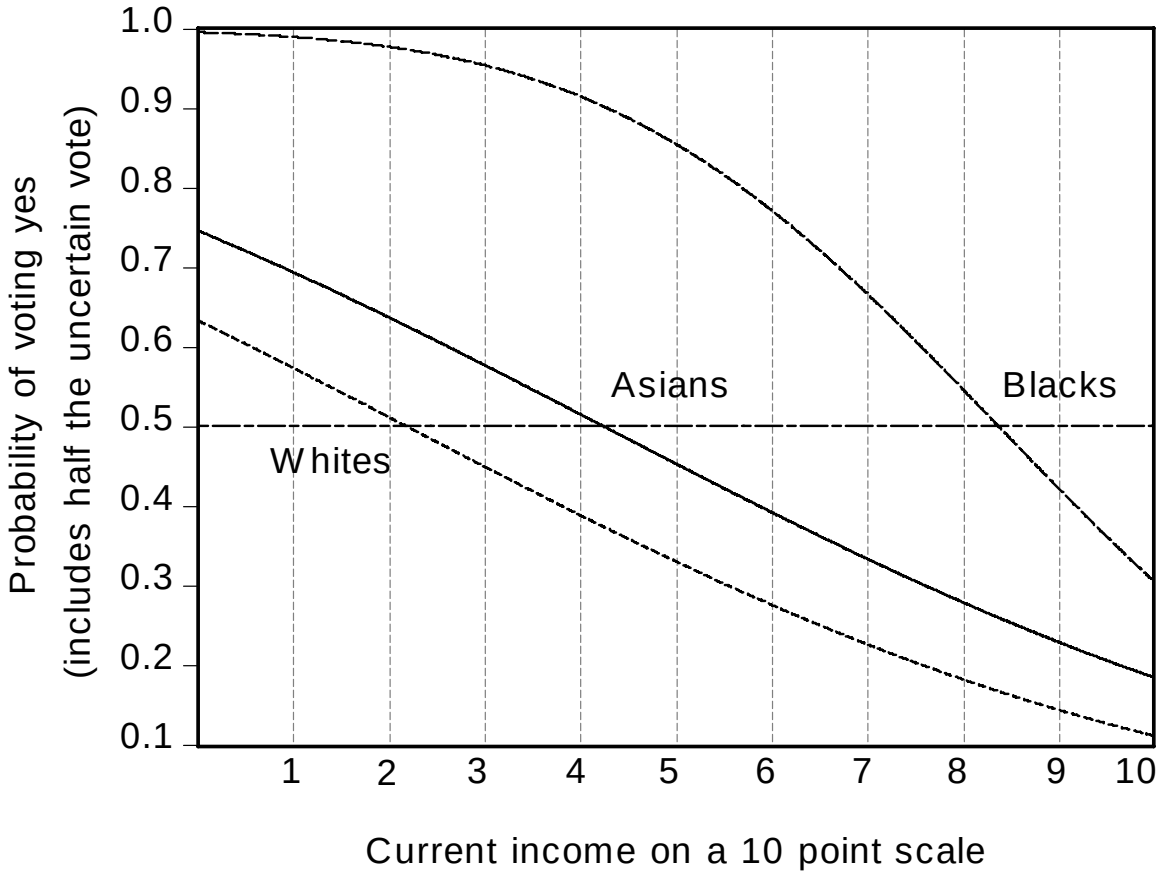

Figure 2 - The Possibility of Upward Mobility

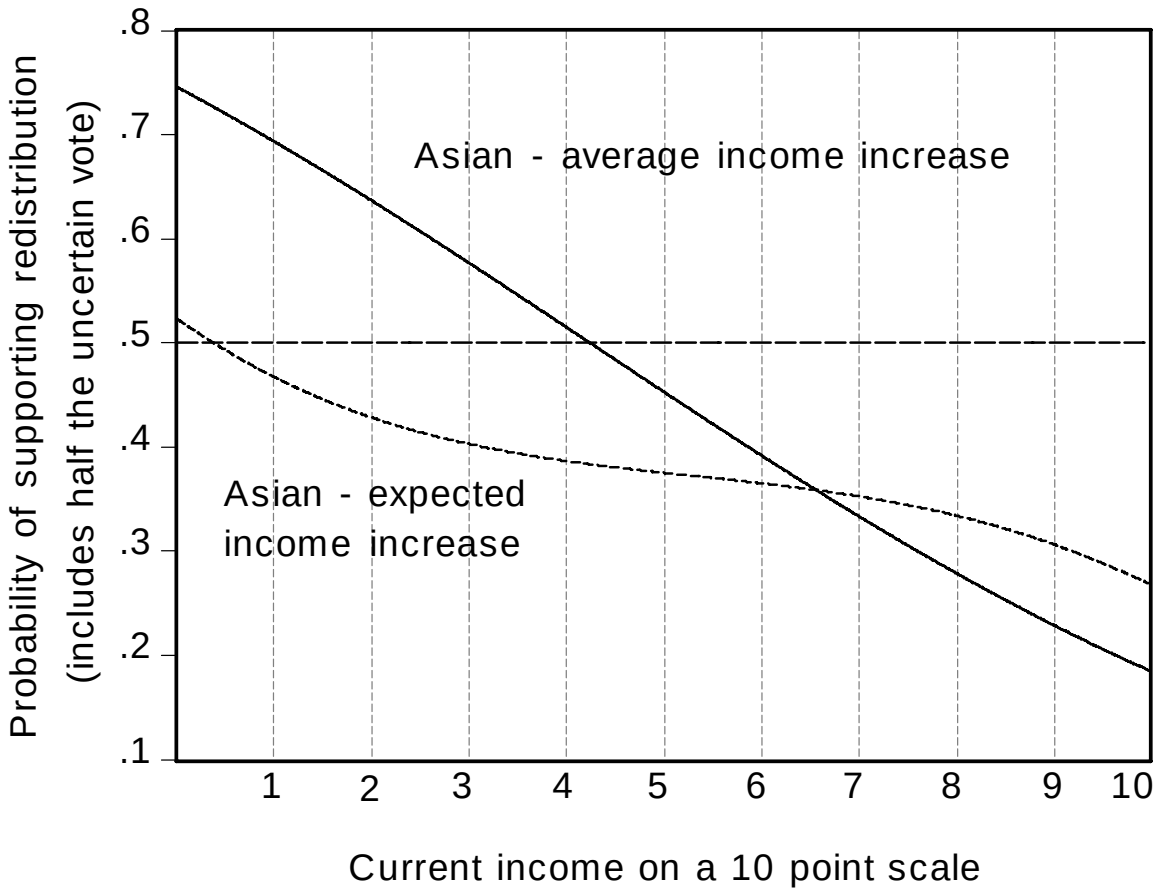

Table 4: Responses to questions 2-4. All responses are coded on a 0 to 10 scale with 10 extremely important and 0 not important at all.

Statement	Mean	St. Dev.
2. If you think the rich (high income) people should be taxed more so that incomes become more equal, please indicate your reasons below. Obs = 273-275		
a) All men are created equal, and thus income and wealth -which represent command over resources- should be distributed equally.	3.895	3.116
b) The rich got rich unfairly, thus income and wealth should be taken away from the rich and given to the less fortunate.	2.015	2.581
c) The rich have a moral responsibility to help the less fortunate and the poor.	5.821	3.127
d) The big gap between the rich and the poor may affect social stability and narrowing the gap may reduce the tension between the rich and the poor.	6.618	2.729
3. We would like to know why you think the rich should not be taxed more to bring about more equality in income and wealth distributions. Obs. = 683-689		
a) A person is entitled to do what he wishes with the fruits of his labor. The wealthy earned their money and make fair tax contributions already.	8.255	2.126
b) Higher taxes on the rich may reduce the incentive to save and thus may reduce investment, growth and employment -which will only hurt the poor.	6.410	2.527
c) If taxes go any higher the incentive to work will be too low and the economy will grow too slowly.	5.732	2.701
d) I may not be rich today, but there is some chance that I, my children or my grandchildren, will be rich in the future. So higher taxes on the rich may mean I or my children have to pay more in the future.	5.319	3.289
e) Private property ownership allows personal freedom. Higher taxes therefore restrict freedom and would trigger a taxpayer revolt.	5.709	2.888
4. Over the last two decades, tax rate reductions have been politically popular. What do you believe is behind this fact? Obs. = 1041-1057.		
a) The rich have more influence through their contributions to campaign funds.	6.181	2.690
b) High income (rich) people are more likely to vote. Thus the outcomes from voting result in lower taxes for the rich.	5.310	2.849
c) The global economy means we can not tax the rich too much or they will take their investments and businesses offshore.	5.160	2.749
d) The rich spread the wealth just enough to get middle class support.	4.373	2.646
e) Voting is based on personality. Taxes are settled by back room politics.	4.034	2.910
f) Tax cuts may give more to the rich but middle income people will support such tax cuts as long as their own taxes are reduced at least a little.	7.040	2.311

Means and standard deviations are calculated from multiple imputed data sets and combined according to the rules set out in King et al. (2001, p. 53).

Table 5
Importance of reasons 2a-2d for supporting redistribution.
Ordered Probit, multiple imputations, 288 observations
Dependent = responses to questions 2a-2d on a 0-10 scale.

	a	b	c	d
BLACK	0.594**	0.503**	0.450**	0.719**
	(4.071)	(2.910)	(3.147)	(5.139)
HISPANIC	0.391	-0.146	0.134	0.030
	(1.766)	-(0.505)	(0.602)	(0.133)
ASIAN	0.256	0.629**	0.205	0.253
	(1.380)	(3.300)	(1.143)	(1.436)
OTHER	0.428	0.236	0.326	0.301
	(1.797)	(0.882)	(1.406)	(1.290)
YC-YP	-0.041	-0.070*	-0.042	-0.024
	-(1.662)	-(2.526)	-(1.779)	-(1.026)
YC	-0.172**	-0.160**	-0.143**	-0.184**
	-(4.256)	-(3.551)	-(3.654)	-(4.742)
YF-YC	-0.150**	-0.123**	-0.128**	-0.130**
	-(4.227)	-(3.143)	-(3.717)	-(3.858)
AGE	-0.022	-0.022	-0.001	-0.001
	-(1.520)	-(1.452)	-(0.068)	-(0.073)
FEMALE	-0.163	-0.320**	-0.224*	-0.204*
	-(1.685)	-(2.894)	-(2.405)	-(2.240)
BUS	-0.005	0.100	-0.083	-0.036
	-(0.054)	(0.883)	-(0.877)	-(0.384)
CHURCH	0.069	-0.039	0.156	0.076
	(0.667)	-(0.332)	(1.551)	(0.777)
MIGRANT	0.283	0.263	0.225	0.251
	(1.838)	(1.564)	(1.516)	(1.691)
VOTE	-0.027	0.080	-0.096	-0.061
	-(0.262)	(0.703)	-(0.982)	-(0.637)
TAX	0.089	0.271*	0.108	0.056
	(0.864)	(2.244)	(1.083)	(0.571)
SOUTH	-0.184	-0.274*	-0.298**	-0.329**
	-(1.595)	-(2.091)	-(2.714)	-(3.037)
LIB	0.130**	0.088**	0.160**	0.132**
	(5.697)	(3.372)	(7.106)	(6.110)
LR statistic (16 df)	104.931	94.517	121.555	129.458
Probability (LR stat)	0.000	0.000	0.000	0.000
LR index (Pseudo-R2)	0.061	0.077	0.062	0.065

*, ** indicate significance at the 5% and 1% levels.
z-Statistics are reported in the parentheses.

Table 6
Importance of reasons 3a-3e for supporting redistribution.
Ordered Probit, multiple imputations, 952-957 observations.
Dependent = responses to questions 3a-3e on a 0-10 scale.

	a	b	c	d	e
BLACK	-0.730**	-0.451**	-0.713**	-0.486**	-0.545**
	-(5.775)	-(3.664)	-(5.698)	-(3.857)	-(4.345)
HISPANIC	-0.104	0.089	-0.076	-0.356	0.013
	-(0.527)	(0.459)	-(0.388)	-(1.707)	(0.067)
ASIAN	-0.149	0.055	-0.118	-0.054	-0.125
	-(0.903)	(0.338)	-(0.725)	-(0.323)	-(0.765)
OTHER	-0.323	-0.477*	-0.523*	0.117	-0.105
	-(1.464)	-(2.161)	-(2.368)	(0.545)	-(0.492)
YC-YP	0.045*	0.021	0.009	0.011	0.039
	(2.336)	(1.167)	(0.504)	(0.578)	(2.131)
YC	0.208**	0.100**	0.173**	0.224**	0.162**
	(6.062)	(3.040)	(5.170)	(6.470)	(4.840)
YF-YC	0.162**	0.092**	0.148**	0.197**	0.147**
	(5.450)	(3.220)	(5.088)	(6.550)	(5.056)
AGE	0.008	-0.001	0.005	-0.005	0.000
	(0.702)	-(0.130)	(0.497)	-(0.407)	-(0.040)
FEMALE	0.009	-0.039	0.072	0.096	0.051
	(0.124)	-(0.549)	(0.998)	(1.305)	(0.702)
BUS	-0.008	0.045	0.002	-0.033	0.032
	-(0.100)	(0.611)	(0.031)	-(0.435)	(0.429)
CHURCH	-0.052	-0.035	-0.024	-0.093	-0.068
	-(0.652)	-(0.458)	-(0.315)	-(1.189)	-(0.886)
MIGRANT	-0.021	-0.182	0.054	-0.142	-0.043
	-(0.153)	-(1.350)	(0.403)	-(1.025)	-(0.320)
VOTE	0.175*	0.179*	0.159*	0.130	0.085
	(2.234)	(2.351)	(2.078)	(1.676)	(1.109)
TAX	0.016	-0.003	-0.036	0.036	-0.037
	(0.204)	-(0.042)	-(0.469)	(0.467)	-(0.476)
SOUTH	0.279**	0.200*	0.323**	0.331**	0.180*
	(3.197)	(2.379)	(3.814)	(3.833)	(2.120)
LIB	-0.097**	-0.077**	-0.079**	-0.073**	-0.083**
	-(5.593)	-(4.646)	-(4.743)	-(4.330)	-(4.945)
LR statistic	161.839	85.285	128.021	125.509	104.203
Probability	0.000	0.000	0.000	0.000	0.000
Pseudo-R2	0.049	0.023	0.034	0.034	0.028

*, ** indicate significance at the 5% and 1% levels.
z-Statistics are reported in the parentheses.

Table 7
Importance of reasons 4a-4e for supporting redistribution.
Ordered Probit, multiple imputations, 932-945 observations.
Dependent = responses to questions 4a-4f on a 0-10 scale.

	a	b	c	d	e	f
BLACK	0.103	0.396**	-0.127	-0.010	0.196	-0.015
	(0.887)	(3.403)	-(1.100)	-(0.086)	(1.680)	-(0.128)
HISPANIC	0.104	0.212	-0.072	-0.107	-0.363*	-0.210
	(0.578)	(1.180)	-(0.400)	-(0.586)	-(1.958)	-(1.165)
ASIAN	-0.109	0.132	0.173	0.057	0.602**	0.043
	-(0.736)	(0.885)	(1.163)	(0.383)	(4.005)	(0.288)
OTHER	-0.144	0.046	0.447*	-0.228	-0.151	0.182
	-(0.730)	(0.229)	(2.199)	-(1.108)	-(0.728)	(0.877)
YC-YP	-0.009	-0.026	-0.018	-0.035	-0.008	0.028
	-(0.512)	-(1.496)	-(1.038)	-(1.990)	-(0.479)	(1.588)
YC	-0.001	0.035	0.104**	0.037	0.041	-0.028
	-(0.028)	(1.147)	(3.383)	(1.193)	(1.310)	-(0.905)
YF-YC	-0.006	-0.018	0.071**	0.010	0.015	-0.009
	-(0.228)	-(0.672)	(2.663)	(0.373)	(0.540)	-(0.342)
AGE	0.002	0.002	0.007	-0.014	-0.026	-0.004
	(0.172)	(0.207)	(0.693)	-(1.267)	-(2.227)	-(0.370)
FEMALE	0.073	0.083	-0.205**	-0.003	-0.122	0.022
	(1.057)	(1.206)	-(2.992)	-(0.045)	-(1.747)	(0.322)
BUS	0.014	-0.014	0.112	0.012	0.017	-0.046
	(0.191)	-(0.194)	(1.587)	(0.166)	(0.237)	-(0.640)
CHURCH	0.002	-0.086	-0.121	0.041	0.007	-0.069
	(0.025)	-(1.179)	-(1.656)	(0.558)	(0.098)	-(0.936)
MIGRANT	0.264*	-0.118	-0.066	0.238	0.070	-0.147
	(2.115)	-(0.943)	-(0.525)	(1.914)	(0.548)	-(1.166)
VOTE	0.034	0.134	0.072	-0.071	-0.110	-0.049
	(0.473)	(1.847)	(1.002)	-(0.979)	-(1.496)	-(0.679)
TAX	-0.032	0.033	0.079	-0.046	0.119	-0.055
	-(0.433)	(0.460)	(1.088)	-(0.631)	(1.619)	-(0.752)
SOUTH	0.243**	0.124	-0.013	0.123	-0.094	0.025
	(3.018)	(1.552)	-(0.161)	(1.519)	-(1.157)	(0.315)
LIB	0.084**	0.058**	0.008	0.040*	0.039*	0.012
	(5.249)	(3.652)	(0.482)	(2.503)	(2.423)	(0.747)
LR statistic	49.079	47.448	41.072	26.578	52.875	10.705
Probability	0.000	0.000	0.001	0.046	0.000	0.827
Pseudo-R2	0.012	0.011	0.010	0.006	0.013	0.003

*, ** indicate significance at the 5% and 1% levels.
z-Statistics are reported in the parentheses.

Questionnaire On Taxes, Income Redistribution and Wealth

In democratic countries such as the U. S., voters participate either directly or indirectly in forming public policies on taxes and income distribution. In this set of questions, we are interested in whether you believe taxes should rise or fall and your opinion about the forces that shape tax policy. There are no right or wrong answers – all we want to know is your opinion. Also please <u>do not</u> write your name anywhere on this questionnaire. We sincerely thank you for your participation.

1. Do you think rich (high income) people in the U.S. should be taxed more with the money given to the less fortunate so that income and wealth are more equally distributed? Circle your response.
   a) Yes b) No c) Don't know or not sure

If you answered "Yes" to question 1, please answer questions 2 and 4. Do not answer question 3.
If you answered "No" to question 1, please answer questions 3 and 4. Do not answer question 2.
If you answered "Don't know or not sure," please answer only question 4.
We also like you to answer the questions in the bottom of page 2.

2. If you think the rich (high income people) should be taxed more so that incomes become more equal, please indicate your reasons below. Use a 0 – 10 scale to indicate the importance of each of your reasons (0 – not important at all, …, 5 – somewhat important, …, and 10 – extremely important).
   _____ a) All men are created equal and thus income and wealth – which represent people's command over resources – should be equally distributed.
   _____ b) The rich got rich unfairly, thus income and wealth should be taken away from the rich and given to the less fortunate.
   _____ c) The rich have a moral responsibility to help the less fortunate and the poor.
   _____ d) The big gap between the rich and the poor may affect social stability and narrowing the gap may reduce the tension between the rich and the poor.
   _____ e) Other reasons (please state):

3. We would like to know why you think the rich should not be taxed more to bring about more equality in income and wealth distributions. Please indicate your reasons by assigning an indicator of importance. Use a 0 – 10 scale for each of your reasons (0 – not important at all, …, 5 – somewhat important, …, and 10 – extremely important).
   _____ a) A person is entitled to do what he wishes with the fruits of his labor. The wealthy earned their money fairly and make fair tax contributions already.
   _____ b) Higher taxes on the rich may reduce incentives to save and thus may reduce investment, growth and employment – which will only hurt the poor.
   _____ c) If taxes go any higher the incentive to work will be too low and the economy will grow too slowly.
   _____ d) I may not be rich today, but there is some chance that I, my children or my grandchildren, will be rich in the future. So higher taxes on the rich may mean I or my children have to pay more in the future.
   _____ e) Private property ownership allows personal freedom. Higher taxes therefore restrict freedom and would trigger a taxpayer revolt.
   _____ f) Other reasons (please state):

4. Over the last two decades, tax rate reductions have been politically popular. What do you believe is behind this fact? Please assign an indicator of the importance to each of your choices. Use a 0 – 10 scale for each of your reasons (0 – not important at all, …, 5 – somewhat important, …, and 10 – extremely important).
   _____ a) The rich have more influence through their contributions to campaign funds.
   _____ b) High income (rich) people are more likely to vote. Thus the outcomes from voting result in lower taxes for the rich.
   _____ c) The global economy means we cannot tax the rich too much or they will take their investments and businesses offshore.
   _____ d) The rich spread the wealth just enough to get middle class support.
   _____ e) Voting is based on personality. Taxes are settled by back room politics.
   _____ f) Tax cuts may give more to the rich but middle income people will support such tax cuts as long as their own taxes are reduced at least a little.
   _____ g) Others (Please state):

Thank you very much for answering our questions. Now we want to know something about you (but not your identity, please <u>do not write your name</u> anywhere on this questionnaire).

I. Please circle your ethnicity:
   a) White b) African American c) Hispanic d) Asian e) Other _____
II. Please circle your gender
   a) Male b) Female
III. Please state your major or profession here: _____
IV. Please state your age here: ____
V. Do you regularly go to church? Please circle your response.
   a) Yes b) No
VI. Are you, your mother or your father immigrants? Please circle your response.
   a) Yes b) No
VII. Please provide a summary indicator of your family's economic status <u>20 years ago</u> using a scale from 0 to 10 (0 – extremely poor, 1 – poor, 2 – moderately poor, … 5 – about average, …, 8 – well to do, 9 – rich and 10 – extremely rich): _____
VIII. Please provide a summary indicator your or your family's <u>current</u> economic situation using a scale from 0 to 10 (0 – extremely poor, 1 – poor, 2 – moderately poor, …, 5 – about average, …, 8 – well to do, 9 – rich and 10 – extremely rich): _____
IX. Please indicate your <u>expectation</u> about you or your children's future economic status, say 10 or 15 years from now: (0 – extremely poor, 1 – poor, 2 – moderately poor, …, 5 – about average, …, 8 – well to do, 9 – rich and 10 – extremely rich): _____
X. Please provide a summary indicator of your political views. Use a 0 to 10 scale (0 – extremely conservative, …, 5 – about average, …, and 10 – very liberal) : _____
XI. Did you vote in the 2000 Presidential election?
   a) Yes b) No
XII. Did you personally pay income taxes in 2000?
   a) Yes b) No

Thank you very much for your participation!