

Groups, Individuals, and Interests

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In this paper, part of a larger book project, I examine one mechanism that connects the average income of a region or ethnic group to the attitudes of residents or group members. I argue that group identities serve as heuristics for an individual's own future income. In other words, group memberships provide informational shortcuts. To support this theory, I derive four implications and test them using two sets of surveys. With the World Values Surveys, I show that the general pattern of support for redistribution being higher in poorer groups - even controlling for household incomes - holds across a wide swath of the world. Using the British Household Panel Survey, I demonstrate that, consistent with heuristic theory, individuals from groups that are getting richer are more optimistic about their own future incomes, that these individuals are less supportive of redistributive spending, and that the latter relationship disappears among the elderly, who have highly predictable individual incomes.

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1 Groups and Information

In this paper, I argue that group memberships serve as a means of summarizing a complex world, and allows individuals to recognize patterns that can tell them something about an uncertain future. Prediction is essential for planning one's future and for making decisions now that have consequences later. However, we know that "predictions are hard, especially about the future."¹ How can identity help? Social scientists have long recognized that social structures and our summaries of them, such as population means, are more predictable than individual behavior. We do not know for sure that any given resident of the United States will be wealthier than her randomly chosen counterpart in Mexico next year. However, we can confidently predict that the average resident of the US will be wealthier than the average Mexican. The confidence with which we can make such a prediction allows policy-makers to plan for a future in which net migration will move from South to North, labor-intensive goods will do the same, and foreign aid will flow in the opposite direction. Differences between the two groups of people living in these two parts of the same continent are useful summaries of social structures, and most people would find it odd if policy-makers - or the public at large - ignored these summaries.

However, country of residence is but one characteristic that can be used for such summaries. 'People with a college degree,' 'women,' 'Francophones,' 'auto-workers,' 'seniors' - all can be, and are, identity categories that provide information for predicting future social outcomes. Of particular importance to political scientists are those identities that predict future economic interests. All of these meso-identities (falling between macro-level groups like the nation and micro-groups like the family) clearly meet this requirement, and there is a vast literature devoted to explaining

¹This quote is variously attributed to Mark Twain, Niels Bohr, and Yogi Berra.

how each of these types of identities might matter for politics. In this paper, I focus on two forms of identity that can be highly predictive of future economic outcomes in some contexts and useless for such prediction in other contexts. In some countries, such as Italy,² regional inequalities play a large role in determining economic outcomes and political attitudes, and in others, such as the United States, racial differences loom large.³ If an individual can use characteristics such as her ethnicity or region of residence in order to predict her future interests, it stands to reason that they would shape her attitudes toward public policy.⁴ Such stereotypes are simply a way of saving time and effort, obeying what [Allport \(1954, ch. 10\)](#) called “The Principle of Least Effort.” In this paper, I take the next conceptual step, to suggest that identities can also be tools for gaining information about one’s future self.

The focus of this paper is on the relationship between identities and support for redistributive policies. Since the effects of redistributive policy are closely tied to the amount of income or wealth an individual possesses, inferences about those kinds of future interests will shape attitudes about these policies. Economic inequality across groups will then manifest itself in attitudinal differences that cannot be accounted for purely on current interests. The strength and existence of a relationship between group inequality and attitudinal differences depends on the context.

²For classic discussions of this case, see [Putnam \(1993\)](#) or [Fukuyama \(1996\)](#).

³Classic works on the topic include [Moynihan \(1965\)](#) and [Wilson \(1987\)](#).

⁴Many scholars have suggested that identity can be used as a heuristic to provide information about others. [McDermott \(1998\)](#) suggests that race is a common heuristic for gaining information about the likely post-election behavior of candidates in (experimentally simulated) American elections, while [Chandra \(2004\)](#) makes a similar argument for elections in India. [Sadin \(2013\)](#) has shown that voters use the social class of political candidates as a heuristic for predicting candidate ideology. Others have argued that stereotypes about various out-group identifiers can serve as informational shortcuts ([Arrow, 1972](#); [Fiske, 1998](#)). In other words, if it is easier to make assumptions about a stranger based on group tendencies than to investigate her individual qualities.

1.1 Interest and Preferences

I limit the scope of my argument to focus on the core left-right dimension of contemporary politics in many countries - the extent of state involvement in the economy with the purpose or effect of altering the distribution of income. This dimension is clearly a central concern across a wide range of democracies (Klingemann et al., 2006; Buchmann, DiPrete and McDaniel, 2008) and is closely tied to the material interests of voters (Romer, 1975; Meltzer and Richard, 1981). Given the strong theoretical grounding of the premise that an individual's 'correct' level of support for redistribution can be inferred from her income or wealth, political scientists are often faced with the puzzle of explaining deviations from that level.

We can explain deviations in many ways, but a first step is to question our measurements of both ideology and perceived interests. Sociologists and economists have long known that the interests of an individual may not be adequately measured by income, or even by the combination of income, years of education, and age. Economists might point to sector (Viner, 1950), non-cognitive skills (Heckman, 2008), or stage in one's life-cycle (Friedman, 1957), while sociologists have noted the importance of social networks (Granovetter, 1973), social capital (Coleman, 1988), cultural capital (DiMaggio and Mohr, 1985), and family structure (McLanahan and Percheski, 2008).⁵ A reasonable measure of interests should take into account the viewpoint of voters, who are likely to incorporate some or all of these factors in a variety of mixes. By choosing a salience-based conception of voter interests, I am emphasizing the weaknesses of 'objective' measures of interest, the use of which requires voters to think like social scientists and to gather a large amount

⁵Not all of these definitions of interest are directly applicable to the effects of all forms of redistributive policy, but they all have the potential to change the ways in which individuals gain or lose from interaction with the welfare state.

of information.

Even if we measure interests correctly, we may still fail to account for ideology if different electorates have different ideological axes. Political scientists have also questioned whether left-right means the same thing across countries and the number of ideological dimensions on which political competition takes place (Inglehart, 1977; Evans and Whitefield, 1993; Hix, Noury and Roland, 2006). It is true that ideology can come with many dimensions, and by focusing only on one, I am not denying the potential causal influence of other dimensions on attitudes toward the state's role in the economy. However, I argue that redistributive ideology⁶ is largely determined by interest, and when we properly measure that interest, we will see that this effect is stronger than some might argue. In the empirical work below, I pay careful attention to choosing measurements of ideology that are closely tied to the conception of redistribution as the process of taking money from relatively wealthy individuals or groups and giving it to poorer individuals or groups.

The importance of prediction for shaping attitudes toward redistributive policies has been highlighted by Alesina and La Ferrara (2005), who suggest that predicted incomes shape attitudes toward redistribution and Idema and Rueda (2011), who argue that income over the course of one's life cycle is a better predictor of attitudes than simple measures of current income. Their work draws on and complements that of Iversen and Soskice (2001), Moene and Wallerstein (2001) and Rehm (2009), who emphasize the role of the welfare state as insurance against uncertain, but to some extent predictable, income shocks. Throughout this line of research, individuals are assumed

⁶An important distinction must be made here between redistributive ideology and desire for particularistic government policies. Lowi (1964) provides a framework in which to discuss this difference. He identified three "areas of policy," two of which, redistributive policy and distributive policy, are relevant here. While no policy fits perfectly in either category, the policies in which I am interested for this project are more redistributive than distributive. Since redistributive conflict usually involves a larger portion of the government budget, it is more likely to be the central axis of political competition.

to construct their beliefs about those income shocks using their own experience and the prevalence of those shocks among others with whom they share important socioeconomic characteristics.

Uncertainty and future income Political scientists can't ask survey researchers to investigate all of these potential influences at once, and so we necessarily use just a few. [Achen \(1992\)](#) argued that including demographic variables in voting regressions is only valid when those demographics are used to instrument for some set of experiences or interests that have plausible causal effects on the voting decision. Clearly, the logic of his argument holds when ideology, rather than voting, is the dependent variable. I take that critique of current practice seriously and try to identify the shared experiences that make group membership predictive of ideology. Shared perceptions of future interests would have this effect. To the extent that I measure group interests correctly and individuals use group interests to infer their own interests, a measurement of individual interest that includes group interests as a part is a better measurement than either personal characteristics combined with a group dummy or personal characteristics ignoring group identities. This reconceptualization of group membership as a bundle of more or less shared characteristics rather than as a single variable has important implications both for how we think about causality in studies of ethnic or regional identities ([Sen and Wasow, 2012](#)) and for how we measure individual interests.

The first step in heuristic theory is the argument that individuals face some uncertainty over their own interests with regard to a public policy. In the case of redistributive policies, that uncertainty could take many forms. For instance, an individual might not know how changes in a Value Added Tax will affect the prices of products she buys, or she might be unsure of whether she will be eligible for a proposed education subsidy. However, when forming a general attitude toward

redistribution, income (or wealth) is the most relevant piece of information for making inferences about its impact on a particular person. Future incomes, though tied to current income, are uncertain. Thus, other sources of information are necessary, and group membership is an obvious candidate. The most basic implication of heuristic theory, then is Hypothesis 1.

1. Holding constant other characteristics, identification with a richer (poorer) group will be associated with increased (reduced) optimism about an individual's future income prospects.

Altruism vs. other-regarding preferences The key distinction I will make in this paper is between other-regarding preferences that focus on the well-being of some other individual (true altruism), and those that focus on some outcome for that individual. In most empirical settings, true altruism is indistinguishable from other forms of positive other-regarding preferences, including my focus, insurance. That is, most forms of group-based preference formation provide reason to believe Hypothesis 2.

2. Holding constant other characteristics, identification with a richer (poorer) group will be associated with reduced (increased) support for redistribution.

This makes engaging with this literature a challenge, but it is also a research opportunity. Hypothesis 3 can be derived from true altruism if one assumes that individuals are most altruistic toward those to whom they are most similar. However, there is no simple tweak to a true altruism story that produces Hypothesis 4.

3. The effect of group incomes on preferences is strongest where within-group inequality is lowest, and so the interests of the individual and the group are most closely tied.
4. The effect of group incomes on preferences is strongest where uncertainty about individual futures is greatest.

2 Survey data and group identity

The hypotheses presented above are at the individual level, and so testing them requires individual level data. Surveys provide good tests of these hypotheses if we believe that individuals respond to survey questions by expressing beliefs that are real in the sense that they can have consequences for individual behavior. A common critique of survey data is that the sensitivity to slight differences in question wording, the demonstrated instability of attitudes over time, and the inability of individuals to respond coherently to many questions suggest that attitudes expressed in survey responses have little to do with the political world.⁷ Following [Ansolabehere, Rodden and Snyder \(2008\)](#), I employ simple factor analyses below to identify attitudes toward redistribution as a function of multiple survey questions, reducing, but not eliminating these concerns.

Another important problem with the use of survey data is that group membership is usually treated (when it is measured at all) as a constant discrete variable, rather than an identity that has the potential to drift over time or to mix and match group identities.⁸ One common approach is to use a scale that asks individuals to say how close they feel to their group. However, attempting to measure ethnic identification brings a wide range of problems in interpreting the effects of group identity as causal. It could be, for instance, that individuals who share important characteristics with the modal member of a group are more likely to consider themselves members of that group ([Shayo, 2009](#)). If one of those characteristics is a set of policy preferences, then group identification is a function of preferences, rather than the reverse. For this reason, I prefer to use rather blunt measures of group membership, in hopes that such measures are less subject to this form of reverse

⁷For a good review of this tradition in the literature, see [Feldman \(1988\)](#).

⁸For discussions of these problems in a wide variety of contexts, see [Chandra \(2001\)](#), [Abdelal et al. \(2009\)](#), and [Sen and Wasow \(2012\)](#).

causation.

2.1 Global data

The WVS uses a variety of measures of ethnicity. Unfortunately, these vary within countries, are sometimes not included in countries where ethnicity is particularly important, and occasionally included in countries where we might think it is unimportant. In addition, it is often phrased in racial terms, even if the primary ethnic divisions in a given country are within a race. On the other hand, religion is usually better measured and included in every country-wave, and in some countries, respondents are asked what language they speak in the home.⁹ In order to select the most salient and best measured dimension, I selected one dimension for each country that was consistently measured across time. This dimension is described below as the base ethnicity. I then further culled the list to eliminate identities in countries with no salient ethnic competition or where the WVS does not measure the relevant dimension, using [Fearon \(2003\)](#) and [Wimmer, Cederman and Min \(2009\)](#).

Measuring regional identity across waves is less complex, though doing so still requires harmonizing across different waves. I chose the set of codes that would maximize comparability across time, and where this was not possible, chose the coding scheme that best matched the formal institutions of the country.

The World Values Survey measures income using a ten category scale in which the categories are different for each country-wave. These categories are only available for a subset of country-waves. In order to maximize comparability across countries and years, I take the income values

⁹[Hartmann et al. \(2011\)](#) provide evidence that public attitudes about religious and racial differences in the United States are more similar than scholars usually suggest. Given the flexibility of the theory - which could apply to any group that predicts future interests - this flexible definition of ethnicity is the most practical.

produced by [Donnelly and Pop-Eleches \(2012\)](#) and convert them into a ratio of the individual's household income to the national average household income derived from the data.¹⁰

Redistribution preferences There are three questions on these surveys that address the respondent's preferences regarding the amount of state intervention in the economy and redistribution. All three were asked in most of the countries during the second, third, fourth, and fifth waves (approximately 1990, 1995, 2000, and 2005). The first is:

Now I'd like you to tell me your views on various issues. How would you place your views on this scale? 1 means you agree completely with the statement on the left; 10 means you agree completely with the statement on the right; and if your views fall somewhere in between, you can choose any number in between. Sentences: (1) Incomes should be made more equal vs (10) We need larger income differences as incentives.

Since this question does not directly mention government action to make incomes more equal, it is possible that some respondents who agree with the first statement are hoping that market forces will make incomes more equal, but in most contexts, government action is likely to be the obvious route by which incomes are equalized. A more direct measure of willingness to have governments take action to equalize incomes is provided by the next two questions I use:

(1) People should take more responsibility to provide for themselves vs (10) The government should take more responsibility to ensure that everyone is provided for.

(1) Private ownership of business should be increased vs (10) Government ownership of business should be increased.

These questions clearly tap policies that involve government action. I expect that group unemployment rates are closely related to the question about responsibility to provide, while the question about incomes is most closely related to attitudes about taxation. The question about government ownership falls somewhere in between, since nationalization of businesses clearly hurts the very

¹⁰I exclude incomes that were measured subjectively. See [Donnelly and Pop-Eleches \(2012\)](#) for more details.

wealthy and is usually seen as a policy that would benefit the poor. Finally, I use a question that is a bit less connected to specific policies, but is perhaps a better predictor of political actions.

In political matters, people talk of “the left” and “the right.” How would you place your views on this scale, generally speaking? (1) Left...(10) Right

Together, these questions seem to tap a similar set of ideas. To account for the fact that they may not hang together well in all places, I conduct a separate factor analysis for each of twenty-three regions. This produces a score for each individual measuring opposition to redistribution on a latent scale normalized to have a mean of zero and a standard deviation of about one.

3 Global results

Figure 1 shows the effect of ethnic and regional incomes on the index of redistributive attitudes.¹¹ The results are consistent with Hypothesis 2, which says that identification with richer groups will be associated with reduced support for redistribution. Among salient ethnic groups, having a higher average income ratio is clearly tied to lower support for redistribution. On the other hand, regional income ratios are more weakly associated with redistributive preferences. In fact, the coefficient on regional income is insignificant.

The control variables included in Figure 1 are generally related to attitudes toward redistribution as the literature on welfare state attitudes predicts. Education,¹² which is closely associated with an individual’s future earning power, is negatively associated with redistributive attitudes. Males and married individuals are less supportive of redistribution, while individuals in more un-

¹¹Note that the dependent variable is standardized within small groups of countries, so its unit is a standard deviation.

¹²Education is measured here as the age at which the respondent completed his or her formal education.

Determinants of support for redistribution

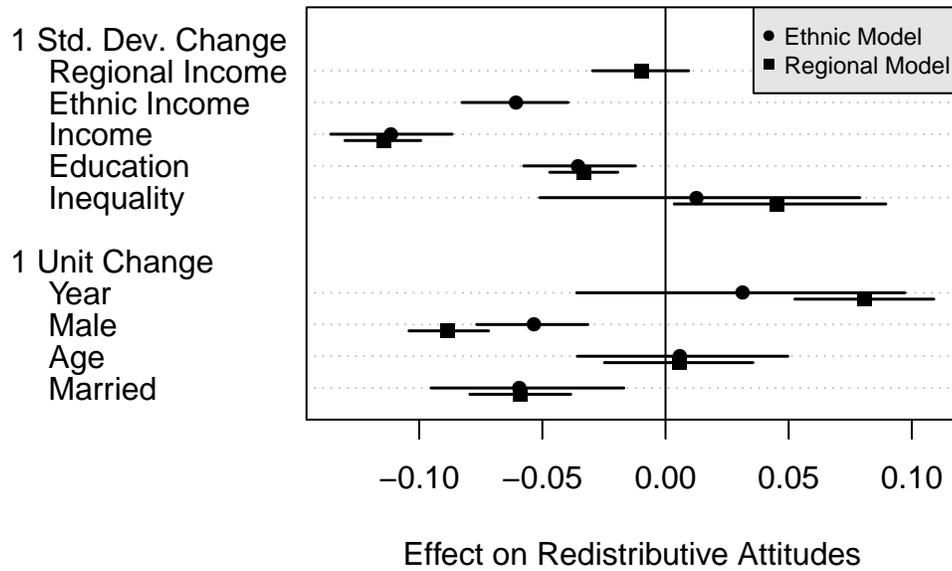


Figure 1: This displays the magnitudes of the effects of the independent variables in an OLS regressions of redistributive attitudes on key demographics. It shows the effect of a standard deviation change of ethnic or regional income, household income, education, and national inequality, and the effect of a one unit change of age, male, gender, and marital status. The effects of age and year are calculated as the change from one half year below to one half year above the mean. Horizontal lines represent 95% confidence intervals. Standard errors are clustered at the ethnic group or region level.

equal countries are more supportive. Overall support for redistribution is generally increasing over time and age has a small positive effect in the early stage of life and a small negative effect later.

One major concern in interpreting the results in Figure 1 is that groups who share traditional commitments to individualism might therefore be richer. In other words, a shared culture might be an omitted variable that is related both to redistributive attitudes and to group incomes. If this were true, the coefficient on ethnic income would be biased in a negative direction. Similarly, it is possible that more rural regions are more conservative and poorer, thus biasing the coefficient on regional income in a positive direction. Figure 2 tackles these issues by assuming that both group cultures and urbanization are much less time-variant than group incomes. By including group fixed effects, the models identify the effect of group incomes on attitudes using only over-time variation in the average group income, wiping out any difference in initial levels of income and preferences that might be due to historical or time-invariant factors such as culture or urbanization.

The results displayed in Figure 2 are similar to those above, though the effect of changes in regional income is now larger and statistically significant, and the coefficient on ethnic incomes is a bit smaller. Once we account for unobserved time-invariant aspects of group identity, the over time variation in group income ratios play a very large role in determining attitudes toward public policies. This provides strong support for Hypothesis 2. These results show that a standard deviation change in ethnic or regional income is associated with a change in attitudes toward redistribution about one third the size of the corresponding effect of household income, or about the same size as the effect of a standard deviation of education. Since household income and education are typically thought of as among the most important determinants of redistributive preferences, these models suggest that ethnic and regional incomes are also among these important

Determinants of support for redistribution

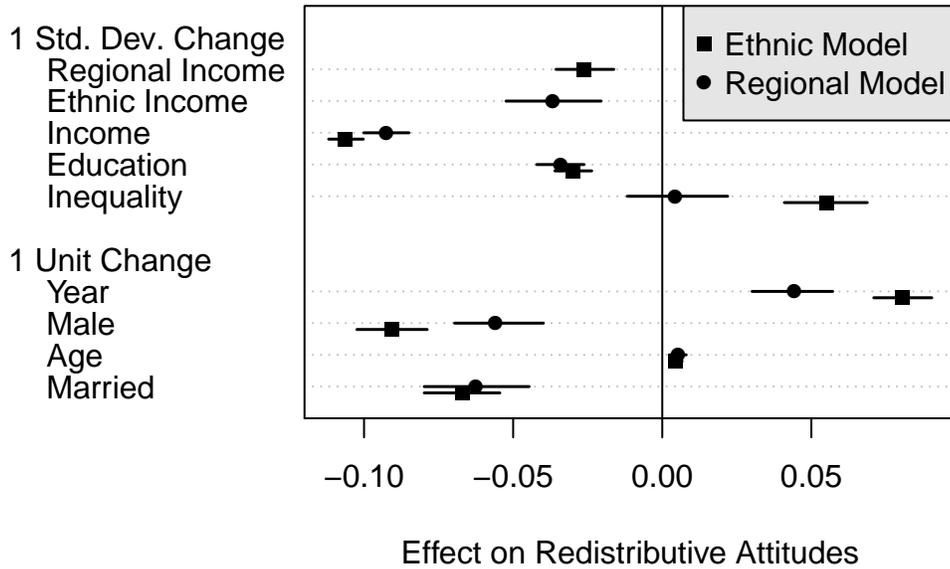


Figure 2: This displays the magnitudes of the effects of the independent variables in an OLS regressions of redistributive attitudes on key demographics, along with group fixed effects. It shows the effect of a standard deviation change of ethnic or regional income, household income, education, and national inequality, and the effect of a one unit change of age, male, gender, and marital status. The effects of age and year are calculated as the change from one half year below to one half year above the mean. Horizontal lines represent 95% confidence intervals.

determinants.

3.1 Within-group inequality and redistributive attitudes

An implication of the argument that individuals use identities as heuristics for predicting their own future incomes is that within group inequality reduces the predictive power of group incomes. I expect, then, that mean group incomes will be less predictive of redistributive attitudes in groups that are highly unequal. Testing this requires a measure of within-group inequality that can be

interacted with mean group income ratios. A number of group inequality measures are available. The simplest test of Hypothesis 3 uses the standard deviation of the income ratio. Table 1 shows the results of regressions similar to those in Table ??, adding an interactive term with the standard deviation of the group's income ratios.

This shows that as the level of within-group inequality increases, the impact of ethnic identity decreases. Figure 3 shows that at high levels of within-group inequality, the effect of ethnic income almost disappears. This provides strong support for Hypothesis 3. These results are robust to allowing the effect of individual or group incomes to vary with national level income.

Within Group Inequality and redistributive attitudes

	Model I	Model II	Model III	Model IV
Income Ratio	-0.12*** (0.01)	-0.12*** (0.01)	-0.13*** (0.00)	-0.13*** (0.00)
Relevant Inc. Rat.	0.09+ (0.05)	-0.18+ (0.11)		
Ethnic Inc. X SD		0.13** (0.04)		
Regional Inc. Rat.			-0.13*** (0.03)	-0.20*** (0.05)
Regional Inc. X SD				0.05+ (0.03)
Ethnic Inc. SD	-0.30*** (0.05)	-0.40*** (0.05)		
Regional Inc. SD			0.10*** (0.03)	0.04 (0.04)
National SD	0.29*** (0.05)	0.25*** (0.06)	0.08** (0.03)	0.08* (0.03)
Education	-0.01*** (0.00)	-0.01*** (0.00)	-0.00*** (0.00)	-0.00*** (0.00)
Age (Decades)	0.02 (0.02)	0.02 (0.02)	0.02+ (0.01)	0.02+ (0.01)
Age ² (Decades)	-0.00* (0.00)	-0.00* (0.00)	-0.00** (0.00)	-0.00** (0.00)
Male	-0.05*** (0.01)	-0.05*** (0.01)	-0.08*** (0.01)	-0.08*** (0.01)
Year (Since 1980)	0.01 (0.01)	0.01 (0.01)	0.08*** (0.01)	0.08*** (0.01)
Year ² (Since 1980)	-0.00 (0.00)	-0.00 (0.00)	-0.00*** (0.00)	-0.00*** (0.00)
Intercept	0.04 (0.09)	0.32** (0.12)	-0.65*** (0.06)	-0.57*** (0.08)
N	62,581	62,581	110,766	110,766
Groups	190	190	653	653
R ²	0.09	0.09	0.09	0.09

Table 1: This displays the results of regressions of redistributive attitudes on individual characteristics, group incomes, and within group inequality with group level fixed effects. All models use the incomes provided by [Donnelly and Pop-Eleches \(2012\)](#). The sample is restricted to groups making up less than 98% of the population of their country-wave. + $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

Within-group inequality and ethnic income

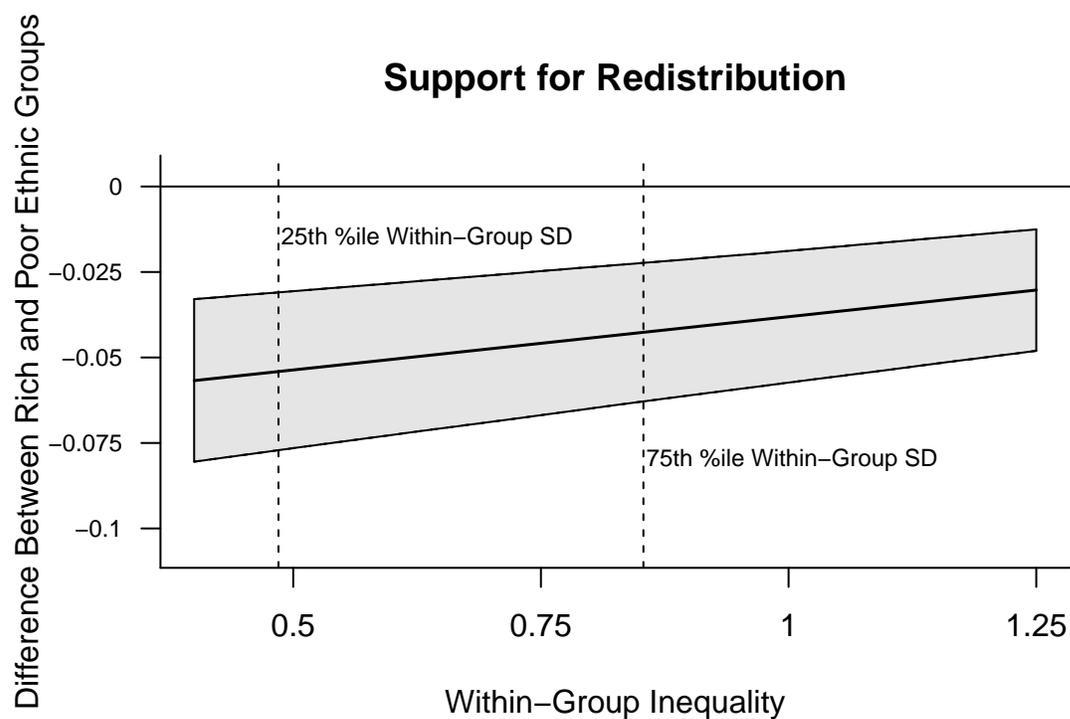


Figure 3: This shows the effect of a one standard deviation change in ethnic income on support for redistribution across the distribution of within-group inequality. The X-axis goes from the 10th to the 90th percentile of ethnic income standard deviations. It shows that the negative effect of ethnic income is reduced by high levels of within-group inequality. The shaded area represents the 95% confidence interval, and the vertical lines represent the 25th and 75th percentile of within-group inequality.

4 Inequality in the UK

Though cross-national data such as the WVS allows me to overcome a key analytical problem - too few groups exist in any one country to rule out many explanations - it also introduces problems. In particular, measurement error and concept comparability become important issues. To bolster these results and to test additional implications of heuristic theory, I turn to the United Kingdom, where region, ethnicity, and redistribution all play important roles in politics.

Despite its reputation as a class-obsessed society,¹³ the UK has not always been among the most unequal of wealthy societies, as it is now. Figure 4 shows the change in the Gini index of market inequality¹⁴ from Solt (2009) for seven countries between 1960 and 2006.¹⁵ The UK went from being among the most equal of rich democracies to being among the most unequal. This shift in market outcomes was not canceled out by redistributive policies; among this group, only the US has a higher Gini index after taxes and transfers are taken into account.

The UK's reputation as a very stratified society shows up consistently in the data we have on intergenerational income mobility. Most measures put it at the top of all wealthy democracies in the strength of the relationship between the class of an individual as a child and the class of that same individual as an adult. For instance, Corak (2006, Table 2) estimates that the elasticity of the Father-Son earnings relationship is 0.5 in the UK, slightly higher than that of the US (0.47) or France (0.41), and much higher than the corresponding elasticity in countries like Denmark (0.15)

¹³Butler and Stokes (1969, pp. 139) describe class as the “dominant motif” of British politics.

¹⁴The Gini index is a measure of inequality that ranges from zero, if every household has the same income to one, if one household receives all of the income in a country. See Cowell (2011) for a more detailed description of the measure.

¹⁵The six comparison countries include two countries that Esping-Andersen (1990) and others would describe as socialist welfare states (Norway and Sweden), two liberal welfare states (Australia and the United States), and two continental welfare states (Netherlands and France). The point holds if we use any combination of comparison countries among the rich democracies.

UK Inequality in a Comparative Perspective

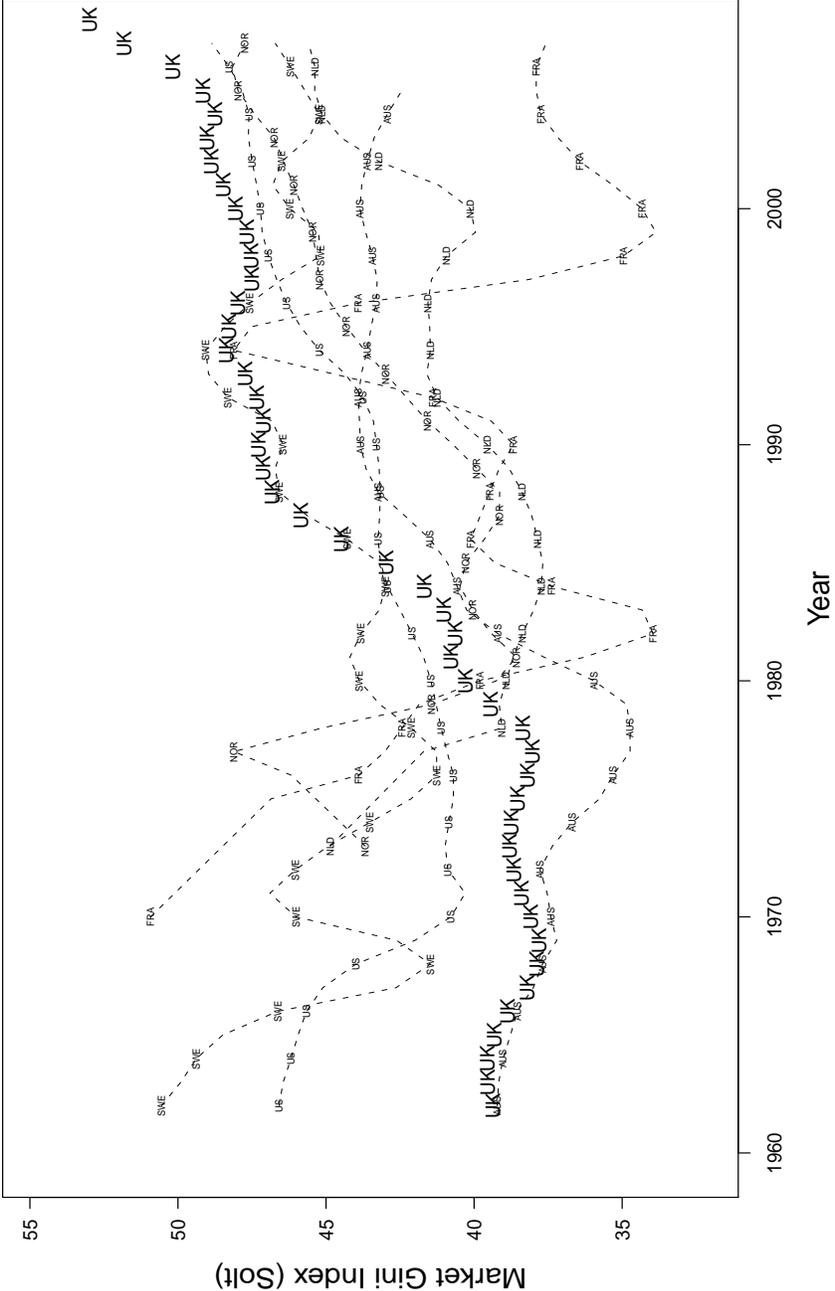


Figure 4: This displays three-year rolling averages of the Gini index of inequality for pre-tax, pre-transfer incomes as calculated by Solt (2009) for seven countries. It shows that the UK went from being among the most equal rich societies in the middle part of the Twentieth Century to being one of most unequal in the early part of the Twenty-First.

or Germany (0.32).¹⁶ Of course, these measures necessarily compare the income of a man now to that of his father many years previously. We might therefore be concerned that younger cohorts are entering a very different economy than their predecessors, and so opportunities for mobility may, in fact be much more plentiful for these younger workers. Given strong theoretical reasons (Solt, 2004) and tentative evidence (Hassler, Rodríguez Mora and Zeira, 2007) that inequality is associated with lower levels of mobility, Figure 4 suggests that mobility in the UK has not increased greatly in recent years.

This suggests that the UK in the post-Thatcher years is something of a hard case for a test of the theory presented above. If the amount of uncertainty about one's future income is quite low because it is largely determined at birth (or before entry into the labor market), then there is less room for group identities to be useful heuristics for future incomes. However, most individuals share ethnic and regional identities with their parents, and it is likely that one reason for a strong relationship between the incomes of parents and offspring is the large number of identities they share.

4.1 Regional inequality, regional politics

Regional inequalities have long been a fact of life in the United Kingdom. Whether we consider variation across local authorities, counties, or countries,¹⁷ regional inequality is both large and persistent. For instance, in 1871, the GDP per capita in Wales was about 89% of the UK

¹⁶Other measures of mobility, such as the class mobility measures developed by John Goldthorpe and various coauthors suggest that Britain is quite similar to other European countries (see, for instance Erikson, Goldthorpe and Portocarero, 1979; Erikson and Goldthorpe, 1992; Breen, 2004). However, these measures of mobility use a class schema that is not directly related to income, and so may be less relevant to attitudes about redistribution.

¹⁷Following convention, I use the term 'countries' to refer to England, Northern Ireland, Scotland, and Wales.

average, while Londoners earned roughly 140% of the average. A century later, this gap had shrunk somewhat (88 and 123%, respectively), but by 2001, the gap was almost exactly where it had started (78 and 134%) (Crafts, 2004). Similar gaps exist when comparing regions within England. The size and persistence of these gaps suggests that their sources must be found in substantial, slow-moving phenomena. Economists have generally attributed regional inequalities to the vagaries of economic change, such as agglomeration effects at the time of the industrial revolution, international competition in agricultural markets in the period before WWI, or deindustrialization in the 1970s (Hunt, 1986; Dunford, 1995; Crafts, 2004). Whatever their cause, they remain an enduring and fundamental aspect of British life.

In addition to economic and social differences across regions, political differences have figured prominently in British political development. A recent *Guardian* column (Jenkins, 2011) traces the roots of current political controversies over devolution deep into history:

The union has long been asymmetric. It was a product of military conquest, unequal treaties and marriages of convenience. Had it not been for Edward I, Cromwell, the Victorian Church of England and Margaret Thatcher, a degree of harmonious assimilation might have been won. Yet the foolishness with which London governed its domestic empire lost and then partitioned Ireland, enraged Scotland, and roused even the somnolent Welsh from apathy. When administrative delegation became the fad at the end of the 20th century, devolution gained a traction from which it has not looked back.

Labour's strength in the North has also been a consistent source of political differentiation within England itself.¹⁸ As in Scotland or Wales, this can in part be attributed to different demographics, but the differences are persistent and noticeable. In 1977, Labour Party campaigned in Tyne and Wear by arguing that "Labour fights for the North" (McLean, 1977, pp. 426). One

¹⁸The most salient regional cleavage within England is the North-South divide, but others exist as well. For instance, the Cornwall Council conducted a publicity campaign to promote the write-in of Cornish ethnic identity or national identity in the 2011 census (Cornwall Council, 2011).

Manchester MP described campaigning recently and encountering a voter whose first question for the MP was “Why are these people in London doing this to Manchester?”¹⁹ This kind of sentiment can be found throughout British politics, and it suggests that regional identities are sufficiently salient to shape general political attitudes. Regional animosities and disputes are common even within political parties,²⁰ despite a level of party discipline that is high in a comparative perspective (Cain, Ferejohn and Fiorina, 1987).

In Scotland or Wales, it is not unusual to hear the argument that a vote for Conservatives is a vote against one’s own country. Given that the Liberal Democrats, the Scottish National Party, and Plaid Cymru are all substantially left of the Tories, this suggests that opposition to redistribution could be an important aspect of the political identity of these regions. Similarly, in Northern Ireland, both nationalist (Catholic) parties (Sinn Fein and the SDLP) are explicitly leftist and the larger of the two unionist (Protestant) parties (the DUP) are relatively pro-redistribution.²¹ It could be, of course, that the traditional tie of the Conservative Party with a strong union and a strong established church is enough to explain these partisan preferences, but the failure of right-wing Welsh nationalism in the inter-war period and the success of the SNP during the same decade (the 1970s) in which it turned to the left (Béland and Lecours, 2010, pp. 110) suggests that redistributive positions shape electoral success, even for parties whose primary issue emphasis is on the proper location for state decision-making rather than the appropriate size of the welfare state.

¹⁹Author’s interview with Sir Gerald Kaufman, July 4, 2011. The voter was concerned about the budget cuts proposed by the coalition.

²⁰Tony Blair attributes the “visceral” dislike for Ken Livingstone that was harbored by John Prescott and Gordon Brown as the result of “the contempt of Northern Labour for London Labour” (Blair, 2011, pp. 267).

²¹In the 2001 election, according to the Comparative Manifestos Project (Klingemann et al., 2006), the two most pro-welfare parties in the UK were Sinn Fein and the DUP. The SDLP manifesto was not rated.

The publicity generated each time the UK government issues new statistics broken down by region is enough to keep regional inequality in the political discourse (see, for instance [Coughlan, 2011](#); [Johnson, 2011](#)). Conservative newspapers routinely carry stories with headlines like “A plot to shatter the Union and the REAL reason English taxpayers pay for Granny McTavish to live the high life” ([Clark, 2011](#)), while left-leaning papers use inequalities to highlight the fairness of redistributive policies (e.g. [Maguire, 2011](#)) or simply ignore the differences. Scottish Nationalist reaction to these data releases vacillates between calling for more funding for Scotland by emphasizing it’s needs and attempts to reject what one Nationalist MSP called the “We’re too wee, we’re too poor”²² argument that the UK-wide parties make against independence, especially in the wake of Westminster’s bailout of two Scottish-based banks.²³ As the Scottish economy has improved relative to the national economy, reaching parity or near-parity, this trade-off has diminished in importance. The financial crisis, the continued high energy prices,²⁴ and anger at cuts made by the Conservative - Liberal Democratic coalition make the upcoming referendum (scheduled for September 18, 2014) an intriguing test of the strength of Scottish nationalism.

The extent of national identity - with the United Kingdom or with its parts - varies across individuals, across regions, and across time. In a 2005 survey, in Scotland 66% of residents described themselves as “Scottish, not British” or “More Scottish than British,” while in Wales, the corresponding number was 55% and in England, it was just 20%.²⁵ However, English identity does appear to be on the rise, at least partially in reaction to the success of Scottish and Welsh

²²Author’s interview with Marco Biagi, July 12, 2011.

²³Gordon Brown, for instance, said “We were able to act decisively with 37 billion pounds; that would not have been possible for a Scottish administration” ([Sullivan, 2008](#)).

²⁴North Sea oil and gas have contributed a great deal to the SNP’s argument that Scotland can safely go it alone (see, for instance, [Salmond, 2013](#)).

²⁵These numbers are reported in Table 1 of [Kiely, McCrone and Bechhofer \(2005\)](#), and are taken from the British Social Attitudes Survey.

nationalist parties (Fenton, 2007), and one survey puts the proportion preferring English to British identity at 40% in 2011 (Jones et al., 2012). Of particular concern to English nationalists are two institutional issues that have become increasingly important over the last decade.

4.2 Ethnic inequality, ethnic politics

British political history has long recognized the role of various ethnic cleavages in shaping voters' attitudes. In the century prior to WWII, the primary cleavages were the result of movement between the various regions. English, Welsh, Scottish, and Irish ethnicities were salient identities that shaped political positions. The industrial revolution had brought many migrants from the three 'peripheral' groups into England, and many Irish into Scotland. As is often the case, migrants in both England and Scotland tended to be poor and rural, drawn into the factories and other manual jobs found in growing urban areas. It is not surprising, then, that the degree of ethnic inequality in those urban areas was substantial.

Bolstered by religious differences - Church of England/Church of Scotland/non-conformist and Protestant/Catholic - these ethnic cleavages remained important to the politics of the UK well into the Twentieth Century (Hobsbawm, 1968), bolstered by the swell of Irish immigrants in the 1940s and '50s. As late as the 1960s, there remained substantial differences in the propensity to vote for the Conservatives across the four 'old' ethnic groups Butler and Stokes (1969), and these differences were only partially explained by individual class differences. The post-WWII period also introduced another ethnic dimension to British politics. The wave of immigrants from the countries of the empire, and later the Commonwealth, meant that blacks (from the West Indies and Africa) and South Asians (from India and Pakistan)²⁶ became important factors in British

²⁶Many South Asians also came from British East Africa during decolonization. As some newly independent

politics.

By 1979-1984, Pakistani, Bangladeshi, and Black African first-generation migrants performed substantially worse than natives in the labor market, while Indians were as likely and Caribbean Blacks were actually more likely to be employed than natives ([Dustmann and Theodoropoulos, 2010](#)). By the second generation, only Indians appeared to perform as well as natives. This inequality is manifested in many areas outside of the labor market, and has been well-documented in the housing market ([Peach, Robinson and Smith, 1981](#); [Phillips, 1998](#)), health ([Nazroo, 2003](#)), and education ([Dustmann and Theodoropoulos, 2010](#)). These inequalities are particularly stark, given that many members of poorer ethnic groups are concentrated in London, home to a both poor and very rich whites.

Many of the news releases coming from the Office of National Statistics contain breakdowns by ethnic origin, and the frequency which they do this seems to be increasing over time. Similarly, the UK Census has been expanding its understanding of ethnicity in the last thirty years. After asking no ethnic question in 1981 ([OPCS, 1981](#)), the census has continuously added to the detail with which it measures ethnicity. In 1991, the ethnic question contained nine options, one of which was white, while the rest were split between Asian (four categories), Black (3 categories), and Other. In 2001, there were three versions of the ethnic question. England and Wales had sixteen categories, Scotland had fourteen, and Northern Ireland had ten. By 2011, England and Wales offered eighteen options, Scotland nineteen, and Northern Ireland again offered ten ([Aspinall, 2011](#); [Northern Ireland Census, 2001](#)).²⁷ Clearly, this is caused in part by the increasing

African governments sought to ‘Africanize’ their economies and citizenship laws, many Afro-Asians chose to move to the UK. For a description of the details of this process and the context that allowed relatively free migration from all parts of the Commonwealth between 1948 and 1962, see [Hansen \(2000\)](#).

²⁷The number of categories offered by Northern Ireland is taken from the 2009 rehearsal questionnaire ([Northern Ireland Census, 2009](#)).

politicization of identity, but a number of scholars have argued that this kind of government action can reinforce existing ethnic cleavages by making them more salient ([Kertzer and Arel, 2002](#); [Lieberman and Singh, 2011](#)).

There is good reason, then, to suspect that between-group inequality will manifest itself in ideological differences at the mass level. [Whitten and Palmer \(1996\)](#) have shown that non-whites are much more likely to vote for Labour. On the other hand, [Dancygier and Saunders \(2006\)](#) report that immigrants are less likely than similar natives to support increases in taxation to fund social spending, and no difference on whether inequality should be reduced.²⁸ If it is the case that being part of a wealthy group now makes it more likely that an individual will be wealthy in the future, it may well be that membership in that group leads to reduced support for redistribution. This would go a long way toward explaining the finding of [Lieberman and McClendon \(2011\)](#), who showed that in countries with higher between-group inequality, there are also higher levels of policy disagreement.

5 Plausibility of heuristics

The main assumption underlying heuristic theory is that group identities are predictive of future incomes.²⁹ There are many reasons we might expect incomes in the UK to depend in part on group identities. For instance, ten percent of the unemployed use social networks as their main tool for job searches, while sixty-five percent use networks as one tool ([Frijters, Shields and Price, 2003](#)), and social networks are likely to be disproportionately made up of those who share identities

²⁸The [Dancygier and Saunders \(2006\)](#) empirical specifications do not distinguish among immigrant groups.

²⁹If this assumption is false, it may still be that voters use their identity as a heuristic, but this seems far less likely.

with the individual in need of a job.³⁰ Similarly, when a pub owner's neighbors do well, they are more likely to spend money on eating and drinking at the pub. Almost all forms of economic activity are disproportionately shaped by the fact that most individuals are disproportionately likely to spend time around and with individuals like them. Therefore, the kind of information they have about the economy is disproportionately weighted toward the economic outcomes of people like them.

In order to test the plausibility of these arguments, I have assembled eighteen waves of the British Household Panel Survey (BHPS),³¹ which follows a sample of 5,500 households in Britain from 1991-2008, with additional households added along the way. The annual survey includes a wide range of questions about individual characteristics, with a focus on survey items related to income. This allows me to examine the relationship between an individual's market income³² at time t and that same individual's characteristics at time $t - 1$. Since I am interested in heuristics, the key characteristics are group-level. If individual income at time t is correlated with average group income at time $t - 1$, then looking around at people in your group will provide useful information about your future income, allowing you to better estimate your future interests, and thereby to adjust your policy preferences to more closely match those policies most likely to benefit you. This section considers the first two steps in this chain.

To maximize my ability to make inferences about the plausibility of ethnic and regional heuristics, it is important to construct measures of ethnicity and region that most closely resemble those likely to be used by individuals themselves. This is a necessarily subjective decision, and, given

³⁰For evidence on social network homogeneity using intermarriage/cohabitation rates, see [Muttarak \(2004\)](#).

³¹For a description of the data, including a discussion of weighting, see [Taylor et al. \(2010\)](#).

³²In order to construct a measure of market income, I include only income from labour, dividends, and investments.

Ethnicity in the BHPS

Ethnic Group	BHPS	Census proportion (2001)
Black - Caribbean	0.5%	0.99
Black - non-Caribbean	0.6	1.02
Indian	1.1	1.84
Pakistani/Bangladeshi	0.7	1.81
White	96.0	91.84
Other	0.7	3.5

Table 2: This displays the proportion of the BHPS data falling into each of six ethnic categories in the second column. Census estimates are listed in the third column (Dobbs, Green and Zealey, 2006). The weights used in regressions below adjust for the imbalance across race.

the small number of ethnic minorities present in a sample - even one as large as 5,500 - some compromises with the data must be made. In particular, it is not possible to obtain reliable estimates of the average incomes of ethnic Chinese,³³ and Pakistani and Bangladeshi respondents have been pooled to provide more reliable estimates. There are clearly differences between these two groups, but they generally share a religion and many of the older generation emigrated from the same country (when Bangladesh was East Pakistan). It is likely that these commonalities will, in many contexts, outweigh the differences. The resulting categories for ethnicity are displayed in Table 2. Unsurprisingly, this sample, like most public opinion surveys, under-samples ethnic minorities. Since a primary interest of this paper is the effect of ethnicity, I re-weight respondents to more accurately reflect the Census data.³⁴

While the older ethnic cleavages remain relevant in some contexts, many surveys, including the one at hand, do not ask all respondents to identify their ethnic background within the category of

³³In 1991, the Chinese population of the UK was 0.03% (ONS, 2001).

³⁴I assume that the proportion by which each group is under- or over-sampled does not change from wave to wave. This procedure also causes estimates of regional and religious proportions to miss, making estimates of the average treatment effect for variables based on this group likely to be biased toward whatever effect these variables have on individuals in the over-represented regions/religions (especially England, which is the primary destination for ethnic minority immigrants).

“White.” A subset of respondents were asked a more detailed question, and given the argument that these divisions are the most salient, and models using that measure produce generally similar results. However, the coarse measure with a larger sample still provides some information about group identity, and match the 1991 and 2001 census categories, making it advisable to adjust the BHPS weights. Religion could also serve as an measure of identity, since many of the ethnic cleavages disguised by other measures can be picked up by religion. Thus, in addition to the ethnic measures presented in Table 2, I also categorize respondents into one of nine religious categories, combining Church of Scotland and a variety of non-conformist religions into a single category for simplicity.³⁵

Regional codings are fairly simple. I use the BHPS Government Office Regions, which divide England into nine regions, plus the three Celtic countries.³⁶ A more aggregated version is simply to use the four countries. In both cases, there is some reason to believe that individual income prospects are affected by changes in the regional income, but the smaller units are likely to have greater predictive power, if only because, with all of England counted as a single unit, country-level aggregates may disguise more than they reveal.

Table 3 displays the regression of current income (here and below, all income variables are in logged 2008 pounds sterling) on lagged personal income and lagged aggregates. Model I suggests that, once we account for individual differences in income, country-level incomes are not predictive of future income.³⁷ However, Models II-IV suggest that regional, ethnic, and religious incomes

³⁵The categories are: Church of England/Ireland, Other Protestant, Catholic, Hindu, Muslim, Jewish, Sikh, Other, and None. Clearly, None is a very heterogenous category, and many respondents who categorize themselves as such were raised in a religious tradition, and so might be said to be culturally connected to that tradition. Unfortunately, only a few respondents gave the religion in which they were brought up when that question was asked.

³⁶The regions are: East Midlands, East England, London, North East, North West, Northern Ireland, Scotland, South East, South West, Wales, West Midlands, and Yorkshire & Humberside.

³⁷The results are substantively similar when using the ratio of individual income to the national mean income

are strongly predictive of future income. While other standard socioeconomic controls, such as sex, are generally not related to ethnic or regional incomes, there is good reason to suspect that both age and education will vary across groups. The addition of these controls does not change the effect of the lagged aggregate variables. The lagged household income is likely capturing the great bulk of the effects of those controls already.

Model V uses “Expected log-income,” which is a weighted average of the log-incomes of each of the four groups to which an individual belongs: Country, region, ethnicity, and religion. The weights are the inverse standard deviations of the (not logged) incomes of each group, and the weights are normalized to one.³⁸ This yields a predicted log-income that takes into account the fact that very unequal groups provide little information about future income upon which to draw. In other words, if all members of group X make between £10,000 and £11,000 in a year, it makes sense for a member of that group to assume that she will make something close to £10,500 next year. However, if some members make £1,000 and others make £100,000, she would be much less justified in drawing that inference.³⁹ Unsurprisingly, the expected income is strongly predictive of future income. It is substantially more predictive than any of the other group identities, which is consistent with two possible stories.⁴⁰ First, it may be that different respondents’ incomes are predicted by different identities, and second, it may be that their incomes are, in fact, predicted by multiple group identities.

Hypothesis 1 says that members of richer groups will recognize the predictive power of group

as the dependent variable and lagged individual and group incomes ratios as the predictors.

³⁸The inverse standard deviation weighting scheme comes from the model developed in Chapter 1.

³⁹The standard deviation is a better source of weighting than the range (as in the example) because very large groups are bound to have some outliers, who will affect the range more strongly than they affect the standard deviation.

⁴⁰Readers may be concerned that the larger coefficient is simply an artefact of less variation in Expected Log-income than in any of the four identity-based averages. However, the distributions are quite similar.

Using identity to predict future incomes

	Model I	Model II	Model III	Model IV	Model V
Intercept	3.07*** (0.52)	2.13*** (0.24)	2.06*** (0.30)	1.96*** (0.37)	1.07** (0.53)
Lag log-income	0.68*** (0.01)	0.67*** (0.00)	0.68*** (0.01)	0.67*** (0.01)	0.68*** (0.01)
Lag country log-income	-0.04 (0.07)				
Lag region log-income		0.08*** (0.03)			
Lag ethnic log-income			0.09** (0.04)		
Lag religion log-income				0.10** (0.05)	
Lag expected log-income					0.21*** (0.07)
Year FE	Yes	Yes	Yes	Yes	Yes
Cluster level	Co-Yr	Reg-Yr	Eth-Yr	Rel-Yr	Co-Reg-Eth-Rel-Yr

Table 3: This table presents the results of regressions of current log-income on lagged log-income and the lags of various average log-incomes. Models I, II, and III show the effect, controlling for lagged personal income, of the average income in one's country, region, or ethnic group, respectively. Model IV uses a weighted average of the three that accounts for the fact that we would expect membership in more equal groups to better predict future income. It shows that the "expected income" is a stronger predictor of future income than any of the other three identities. All variables are on the same scale and all four aggregate variables have approximately the same distributions. All four models use standard errors clustered at the appropriate level and include year fixed-effects. * ($p \leq 0.1$), ** ($p \leq 0.05$), *** ($p \leq 0.01$)

incomes suggested by Table 3. This link in the chain is a crucial piece of heuristic theory. To test it, I use a different question drawn from the BHPS. This asks:

“Looking ahead, how do you think you yourself will be financially a year from now, will you be...”

1. Better than now
2. About the same
3. Better than now

Table 4 shows the results of regressing responses to this question on the ratio of an individual’s income to the national mean income, the average such ratio for one’s group, and other individual characteristics. All models include individual and year fixed effects.⁴¹ Since individual fixed effects account for differences in attitudes caused by the ‘permanent income’ of an individual (Idema and Rueda, 2011), and since there is little within-individual change in group memberships, these models show the effect of changes in (individual and group) income over time. The results show that individuals in groups that are getting richer are more optimistic about the coming year than are individuals in groups who are getting poorer, and this holds even accounting for individual incomes and any time-invariant characteristics of individuals. It is highly likely, then, that individuals recognize the predictive power of group incomes, and when people in their social network are doing well, they are optimistic. When people around them are struggling, they, too, expect to struggle.

⁴¹Since the dependent variable takes on only three values, fixed effects OLS may be problematic. Table ?? displays the results from an ordered probit regression using a similar specification. The results are substantively similar. Table ?? displays the same results using income ratios instead of log-levels. The results are substantively similar.

Identity and economic optimism (fixed effects)

Log-income	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)
Country Mean Log-Income	0.22** (0.043)				
Regional Mean Log-Income		0.1** (0.026)			
Ethnic Mean Log-Income			0.093** (0.027)		
Religion Mean Log-Income				0.006 (0.034)	
Expected Log-Income					0.211** (0.048)
National Mean Log-Income	0.273** (0.052)	0.381** (0.042)	0.443** (0.039)	0.464** (0.047)	0.309** (0.054)
Employed	-0.005 (0.004)	-0.005 (0.004)	-0.004 (0.005)	-0.005 (0.004)	-0.005 (0.005)
Age > 64	-0.047** (0.008)	-0.047** (0.008)	-0.046** (0.008)	-0.047** (0.008)	-0.046** (0.008)
Age	-0.012** (0.001)	-0.012** (0.001)	-0.013** (0.001)	-0.012** (0.001)	-0.013** (0.001)
Married	-0.065** (0.005)	-0.064** (0.005)	-0.066** (0.006)	-0.065** (0.005)	-0.066** (0.006)

Table 4: This table presents the results of regressions of OLS regressions of economic optimism on individual and group incomes. All models include individual fixed effects and time-varying controls. * ($p \leq 0.1$), ** ($p \leq 0.05$), *** ($p \leq 0.01$)

6 British Opinion

Since group incomes do seem to be related to individual future incomes, it makes sense to ask how well individuals account for this in the development of their ideologies. Do group incomes, in other words, shape attitudes toward redistributive policies? The panel nature of the BHPS also allow us to avoid one of the major pitfalls of identities within a single country. That problem is that we often have too few groups to be confident that the characteristics of the group which we identify as important are not correlated with other group characteristics in such a way that our inferences about the effects of identity are biased. Repeated cross-sections are the usual solution to this problem, but panels allow us to focus only on changes within each individual respondent by accounting for time-invariant characteristics of each respondent with individual fixed effects. The two tables below use this strategy to identify the impact of changes in group income on changes in support for two policies with substantial redistributive impact.

In seven of the eighteen waves,⁴² individuals were asked to place their opinion on a five point scale from strongly disagree to strongly agree with the statement “It is the government’s responsibility to provide a job for everyone who wants one.” This measures the inclination of the individual to demand government action to provide for those who are unable to succeed in a free market, and has clear redistributive implications. I expect that individuals who anticipate doing (financially) well in the future will disagree with the statement, assuming that they will not need government help and recognizing that such provision will be costly to taxpayers, including themselves.

⁴²The waves in which this question is asked are: 1991, 1993, 1995, 1997, 2000, 2004, and 2007.

6.1 Results

Table 5 reports the results of linear regressions with individual fixed effects. This implies that the coefficients on the key independent variables can be read as the effect of a one unit change within the individual. This takes advantage of over-time variation in the independent variables, which evolve slowly but do change over the eighteen year period, and the extent to which individuals experience shifts in their attitudes.⁴³ In order to account for the fact that the independent variables are measured in constant 2008 £ and the mean log-income of all groups trends upwards over this period, all of the models contain a control for the national mean log-income. Similarly, they contain controls for variables that we might expect to change differentially across groups - employment and marital statuses, age, and whether the individual is old enough to qualify for a state pension (sixty-five years). Other variables that vary across groups and might be associated with the support for the welfare state aren't likely to vary over time within the same individual.

Table 5 reports the effect of various group incomes on support for government provision of jobs. These models account for any individual-level time-invariant factors that could influence both attitudes and group incomes. The results suggest that individuals are substantially more likely to support redistribution if they belong to a wealthier group, and that this difference cannot be explained by standard demographic factors alone.⁴⁴ Since fixed-effect models are identified on over-time changes and there is very little change in the identity categories used to predict

⁴³Stegmueller (2013) has shown, using the same dependent variable and a dynamic panel model that changes in permanent income tend to have larger effects than transitory income. Though he does not include group incomes, he does include an indicator for non-white ethnicity. This result is statistically significant and positive, as would be predicted by the results in Table 5.

⁴⁴Note also that things like education, which is not purely time-invariant, can be invariant for a large portion of the sample. Including a control for education does not change the results.

Determinants of support for government provision of jobs

	Model I	Model II	Model III	Model IV	Model V
Log-Income	-0.01*** (0.00)	-0.01*** (0.00)	-0.01** (0.00)	-0.01** (0.00)	-0.01*** (0.00)
Ethnic Mean Log-Income		-0.18*** (0.04)			
Regional Mean Log-Income			-0.11*** (0.04)		
Country Mean Log-Income				-0.36*** (0.06)	
Religion Mean Log-Income					-0.22*** (0.04)
Expected Log-Income					-0.44*** (0.07)
National Mean Log-Income	-0.17*** (0.04)	-0.02 (0.05)	-0.08 (0.05)	0.15** (0.07)	0.02 (0.05)
Employed		-0.01 (0.01)	-0.02 (0.01)	-0.02 (0.01)	-0.01 (0.01)
Married	-0.08*** (0.01)	-0.09*** (0.01)	-0.08*** (0.01)	-0.08*** (0.01)	-0.09*** (0.01)
Age > 64	0.05*** (0.02)	0.06*** (0.02)	0.05*** (0.02)	0.05*** (0.02)	0.05*** (0.02)
Age	-0.01*** (0.00)	-0.01*** (0.00)	-0.01*** (0.00)	-0.01*** (0.00)	-0.01*** (0.00)
<i>N</i>	26,584	16,571	26,289	26,289	16,286
<i>NT</i>	81,384	61,827	80,841	80,841	61,445

Standard errors in parentheses

Table 5: This table displays the results of linear regressions in which the dependent variable is the support for government provision of jobs. All models include individual fixed effects. * ($p \leq 0.1$), ** ($p \leq 0.05$), *** ($p \leq 0.01$)

attitudes, the coefficients on group incomes are best thought of as the effect of a respondent's fellow group members getting one unit richer (on average) on the log-scale. Interpreted this way, the coefficients are moderately large. For example, from 2003 to 2004 the *Expected Log-Income* for an Anglican British resident of the North East grew slightly faster than *National Mean Log-Income* did over the same two years. Model VI predicts that the impact of this shift would be around a third of the impact of an individual level *Log-Income* shock equal to the standard deviation of *Log-Income* among those same individuals. Since it is well-known that individual income is one of the strongest predictors of political and redistributive attitudes in the UK, this suggests that group-level incomes also play a large role in the development of those attitudes.

This provides good evidence that group identity shapes attitudes toward redistributive policies. A key group-level characteristic - changes in the mean group (log-) income - is strongly correlated with changes in individual support for the these policies. The strong effects of ethnicity in both tables suggests that this form of identification is particularly important, though the changes in the incomes of other groups are also related to changes in policy preferences. Consistent with the model developed in Chapter 1, increases in the expected income are strongly related to decreases in support for redistributive policies.

6.2 Income uncertainty

Hypothesis 4 asserted that when individuals can easily predict their own future income, they will not need to use group incomes as heuristics. Therefore, among individuals whose future incomes are certain, there will be a weaker relationship between group incomes and redistributive preferences. One place to look in the UK for a large group of survey respondents whose incomes

are highly predictable is among the elderly. Almost a fifth of the elderly have no private income, and rely entirely upon their State Pension and other benefits ([The Poverty Site, 2010](#)). Their incomes, therefore, are highly predictable. Others, of course, rely on additional incomes from private pensions and personal savings. Even in these cases, though it seems unlikely that survey respondents over sixty-four would have any reason to use group incomes to predict their own future incomes.

Figure 5 displays the results of regressing support for government provision of jobs on individual characteristics and group incomes. Like the models in Table 5, these models include controls for individual income and also include individual fixed effects. In addition, these models include an interaction between an indicator for being over sixty-four and individual income, as well as the corresponding interaction for group incomes. These results suggest that the relationship between over-time changes group incomes and over-time changes in support for government provision of jobs is weak or non-existent among seniors.⁴⁵

There are two additional considerations for understanding to the results presented in Figure 5. First, pushing against the interpretation I have given is the fact that the dependent variable focuses on jobs. To the extent that older individuals have no need for a job, perhaps they have less reason to care whether or not the government provides jobs. This critique deserves some consideration, since the estimated impact of individual income is also weak or non-existent among seniors, suggesting that the core of this question may be about the benefits side, and respondents may not be recognizing the tax costs of such a policy. However, to the extent that this question is focused only on the benefit side, heuristic theory would still predict the relationships displayed

⁴⁵The interactions that generate weaker results among the elderly are statistically significant at conventional levels.

Retirement and Group Income Effects

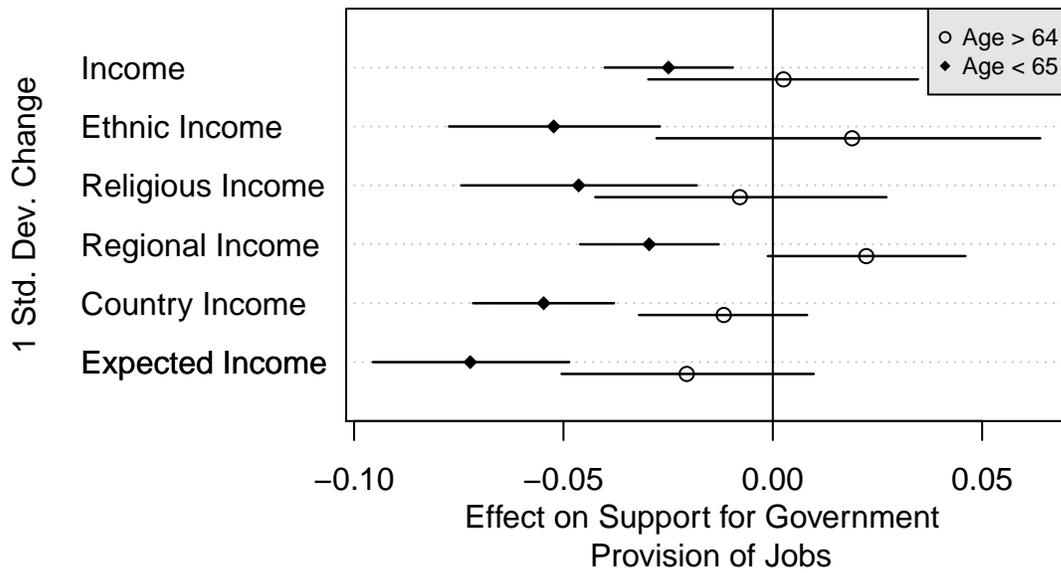


Figure 5: This displays the effects of a one standard deviation change in individual and group incomes among those above and below the age of sixty-four. It suggests that changes in group incomes do not affect seniors' attitudes toward government provision of jobs. The simulated effect of a standard deviation change in individual incomes is taken from Model

in Figure 5. On the other hand, if the within-group altruism alternative is the driving force of the relationship between group incomes and support for government provision of jobs, it is hard to see why those effects would disappear among seniors. In fact, it seems likely that they would increase, since the elderly in the UK are less likely to have inter-regional or inter-ethnic social ties, especially at the level likely to generate strong feelings of sympathy.

On the whole, then, the fact that BHPS respondents younger than sixty-five seem to respond to increased group incomes by becoming less supportive of government provision of jobs while those who are sixty five or older do not is clearly consistent with heuristic theory. This would not be true in many other countries, where uncertainty may not be less for seniors than for prime-age respondents. The (relatively) large UK welfare state spends much of its outlays on the elderly, stabilizing their incomes from year-to-year.⁴⁶

7 Conclusion

The theory introduced in this paper suggests that individuals who are considering whether a public policy is good for them are likely to ask a slightly broader question as well - “Is this policy good for people like me?” I then developed four implications of that theory. Two surveys allowed me to show that:

1. Holding constant other characteristics, identification with a richer (poorer) group will be associated with increased (reduced) optimism about an individual’s future income prospects.
2. Holding constant other characteristics, identification with a richer (poorer) group will be associated with reduced (increased) support for redistribution.
3. The effect of group incomes on preferences is strongest where within-group inequality is lowest, and so the interests of the individual and the group are most closely tied.

⁴⁶It should be noted, though, that this may change as the pension spending rises and austerity continues to be the theme for UK budgets.

4. The effect of group incomes on preferences is strongest where uncertainty about individual futures is greatest.

Together, these tests make a strong case that one of the ways identity groups influence attitudes is by shaping group members' perceptions of their own future interests.

If regional and ethnic inequalities matter for policy preferences, skilled politicians are likely to appeal to those groups, organizing their political campaigns around the cleavages that position their own tax and transfer policies on the majority side of the divide. These politicians, then, are capable of altering the effects of larger socioeconomic structures within which they are competing for power. I argue that this agency is limited by the 'facts on the ground.' The ability of political campaigns to microtarget ([Panagopoulos and Francia, 2009](#); [Vega, 2012](#)) their campaign message may allow them to get around some of these limits by tailoring their message to specific groups, though the technological advances that allow such targeting have been accompanied by other advances that may take control of a political message out of the hands of the campaign.⁴⁷

When political parties form lasting ties to particular ethnic groups or regions, the political relevance of between-group inequalities are likely to be heightened, especially if the left-right positions of the parties correspond with the interests of the ethnic groups or regions with which they are aligned. Of course, heuristic theory suggests that this will be more common than simple chance. Instead, we should expect ties between right-leaning parties and relatively wealthy regions or ethnic groups. Though much work has been done on the role of electoral institutions in predicting the rise of ethnic or regional parties,⁴⁸ we do not know as much about the conditions under which looser alliances will form. Heuristic theory predicts that one of the places to look for antecedents

⁴⁷This argument is related to the literature on the political opportunity structure, since appeals that ignore reality are likely to fail, just as organizing in the absence of a coordination point often leads to failure.

⁴⁸For a brief overview and a contribution to this literature, see [Amat and Wibbels \(2009\)](#).

of such ties is the nexus between group inequality and a clearly defined left-right party spectrum.

Future research should develop our understanding of heuristic theory and continue to develop scope conditions. Clearly, other mechanisms are relevant to the relationship between group interests and individual interests. Some of these mechanisms cannot work in conjunction with heuristics, but many of them can. Placing heuristic theory alongside other mechanisms should allow scholars of public opinion to develop a more complete picture of the times, places, and people for whom heuristics matter.

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