

# Generational Differences in Attitude toward Income Redistribution in the Baltic States: A Cohort Analysis

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## Abstract

Preferences for redistribution have been shown to depend upon individual and institutional characteristics. Previous studies have demonstrated that those who have lived under a socialist regime favor more redistribution even after the regime changes. This paper tests a similar hypothesis based on the experience of the Baltic States. Income redistribution preferences in the Baltic States are traced across 3 waves of the European Values Survey. In addition, a model of preferences in 2008 is estimated. Each age cohort was subject to very different political regimes, including the youngest who have never worked under the Soviet socialist system. While the impacts of the commonly used variables confirm previous studies, I do not find that living under socialism increases a preference for redistribution once other factors are considered. Changes in preferences through the transition period are evident and differences between groups have diminished in a short period of time.

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## 1. Introduction

Public finance questions have taken center stage as states implement austerity measures, often greeted with public outcry. Who should pay higher taxes and suffer public expenditure cuts are challenging and politically divisive issues. Academic interest in both the determinants of preferences for income redistribution (surveyed in Alesina and Giuliano, 2011) and the link between these preferences and the choice of welfare regime (as in Jaeger, 2006; Bowles and Gintis, 2000) has generated a large body of research. This paper builds on existing literature and considers the specific environment of the Baltic States.

The selection of welfare regime is determined through the preferences of the voting public, subject to the constraints on government funding. Constraints on government policies related to income redistribution are particularly relevant in today's economy and in the European Union in particular. In order to promote stability, member countries of the European Union must coordinate their fiscal policies in a way that limits government debt. In some cases, government policy responses are removed from the table regardless of popularity due to fiscal constraints.

The monumental task of understanding preferences for redistribution has generated a vast body of literature examining the role of demographic characteristics, economic outcomes experienced by individuals and the institutional and cultural environment in which individuals interact. The transition to markets in the former Soviet states presents a rich environment to examine the influence of institutions on the preferences for redistribution.

This paper describes and examines the preference for income redistribution by age cohort over an 18 year period of transition from Soviet rule to globally oriented market economies in Estonia, Latvia and Lithuania. Data samples from 3 waves of the European Values Survey enable us to examine changes in preferences for redistribution across countries and in 3 age cohorts. The time periods of the survey (1990, 1999 and 2008) capture a diversity of institutional changes. In 1990, our first data collection point, the Baltic States were on the route to independence from the USSR after experiencing decades of Soviet planning. Then 1999 closely followed the most dramatic phase of the economic transition and each state had begun the process of integration with the European Union (which officially occurred in May 2004). By 2008, the Baltic States had experienced 4 years within the European Union but none had adopted the Euro.<sup>1</sup> After a discussion of the theory and empirical model, a descriptive analysis shows patterns of preferences overall and a regression model is used in 2008 to examine individual determinants and the institutional impact.

## 2. Theoretical Foundations

An individual's desire for income redistribution is rooted in basic utility maximization. Income redistribution alters an individual's utility through changes in consumption. In addition, an individual's utility may depend upon the overall level of income inequality through indirect gains. The primary tool of analysis used in this paper and throughout the literature derives from the basic model by Meltzer and Richard (1981). Extensions, thoroughly

<sup>1</sup> As such, policy choices for the Baltic governments were slightly constrained by EU guidance and objectives in 1999 and considerably more constrained in 2008. Still, each country possesses a low level of debt with manageable inflation and interest rate volatility creating an environment of freer economic choices.

explored in the survey by Alesina and Giuliano (2011), incorporate external gains (or losses) from redistribution.

In a simple formulation of the Meltzer and Richard (1981) model, individual  $i$  gains utility  $U_i$  from consumption  $c_i$ .  $c_i$  depends upon after-tax work income and redistribution income received. Following Alesina and Giuliano (2011),  $c_i$  is based upon after-tax income  $\gamma_i$ , a function of individual productivity  $\alpha_i$  and public policy indicated by the government's lump sum tax  $t$ . In a simple case,  $t$  is uniform across individuals.  $t$  is redistributed subject to the constraint of a tax wastage equal to  $wt^2$ .

$$\gamma_i = \alpha_i(1-t) + \alpha^A t - wt^2 \quad (1)$$

The equilibrium tax policy must maximize consumption for the median voter (with productivity  $\alpha^M$ ) so

$$t = \frac{\alpha^A - \alpha^M}{2w} \quad (2)$$

As a result, the greater the difference in productivity between the average individual and the median individual ( $\alpha^A - \alpha^M$ ) the greater the redistribution selected. Since  $w$  captures wastage, greater efficiency losses due to the tax lead to lower tax rates and lower redistribution.

Bénabou and Ok (2001) extend the model over time and include the possibility of changes in income and social ranking resulting from productivity shocks. In this case, the level of redistribution chosen by actor  $i$  depends upon the individual's expectations of future income. Those expecting a higher income in the future would be disinclined toward redistribution in earlier periods.<sup>2</sup>

The current amount of income inequality enters the utility function  $U_i$  in two ways as shown in the intertemporal utility function by Alesina and Giuliano (2011),

$$U_i = \sum_{p=t}^T \beta^p (u(c_{ip} Q_p)) - \delta_i (Q_t - Q_i^*)^2 \quad (3)$$

Utility is a function of consumption over time  $c_{ip}$ , the current level of income inequality  $Q_p$ , and a measure of the individual's dissatisfaction  $\delta_i$  experienced from  $(Q_t - Q_i^*)$  the difference between the current level of inequality  $Q_t$  and the individual's ideal level of inequality  $Q_i^*$ . The individual receives utility from a more equalized income distribution either due to improved personal wellbeing (lower risk of crime, increased social benefits from public goods) or through the satisfaction of gift giving. In addition, the individual may experience disutility if the current level of income inequality differs from his or her preferred level and the extent of dissatisfaction is measured by  $\delta_i$ .

The determinants of  $Q_i^*$  and  $\delta_i$  have been investigated empirically and this paper follows in the same tradition. Individuals select a low  $Q_i^*$  if they are more likely to benefit from redistribution. Additional personal factors may lead to a high or low  $Q_i^*$  or to a higher or lower dissatisfaction factor  $\delta_i$ . The underlying reasons may stem from education or indoctrination (as in a particular political ideology, religion or home teaching), and therefore, culture and past institutional environments play a role in current preferences.

<sup>2</sup> Social mobility has been approached in a variety of ways (see Checchi and Filippin, 2003; Alesina and La Ferrara, 2002).

For this paper, we use a standard empirical model incorporating various demographic and economic characteristics linked to  $Q_i^*$ . This paper, however, recognizes that  $Q_i^*$  is a function of past institutional environment and differs among cohorts of the population in the Baltic States as a result of institutional heterogeneity.

### 3. Empirical Model

The preference for income distribution is specified to be a function of current demographic and labor market characteristics and institutional characteristics experienced by the individual over his or her lifetime.

#### 3.1. Institutions

Nation and time are particularly important in this paper due to the unique institutional characteristics found in the sample. Estonia, Latvia and Lithuania were independent sovereign states prior to June 1940 when the Soviet army occupied all three countries.<sup>3</sup> All three states formally joined the Union of Soviet Socialist Republics in August 1940. From 1940 until 1989, political and economic decisions were dictated by the Soviet central planning system, though some heterogeneity in local influence and governance occurred. Education and workforce management differed considerably from the pre-World War Two Baltic States though ‘nationalism’ remained strong as evidenced by continued use of the local language (in addition to Russian) and culture. The Baltic States were the first of the Soviet republics to declare independence from the USSR. Following their near bloodless independence movements, each instituted democratically elected governments and successfully implemented market reforms with a strong external orientation. In 2004, the Baltic States joined the European Union. Estonia and Latvia are now also members of the Eurozone and Lithuania is obliged to join.

Previous empirical studies have considered the influence of the prevailing national political ideology on preferences for redistribution. Alesina and Glaeser (2004) explore the history and political orientations of the United States and Western Europe as determinants of the current differences in income redistribution among nations. Using World Values Survey data, the authors show that preferences for redistribution are stronger in Western Europe than the United States after controlling for level of income and demographic influences. They attribute this to long-standing ideological points of view in these societies.

My current work is closely related to the paper by Alberto Alesina and Nicola Fuchs-Schündeln (2007) as it explores how historical indoctrination in a particular political ideology is a determinant of the current value of  $Q_i^*$ . Using the natural experiment of the political division of Germany following World War Two, the authors study differences in the preference for income redistribution between those who lived in Socialist East Germany compared to those who lived in the market oriented West Germany. Controlling for other

<sup>3</sup> The pre-World War One institutional paths of the three Baltic States, with their similarities and differences, are beyond the scope of this paper but also very interesting. To block the Baltic States together is a bit misleading. Differences in religion and political history create different institutional backdrops themselves. However, such differences are dwarfed by the dramatic institutional change brought on in 1940 with the occupation by Russia and the subsequent incorporation into the USSR.

determinants, the authors find that those in the former East Germany favor greater redistribution and are more likely to state that being poor is the result of bad luck rather than an individual's choices or behavior. These preferences are shown to be converging, though slowly. In addition, Guillaud (2013) also finds that political regime matters in preferences based on an empirical study of 33 countries using 2006 ISSP data.

In addition, it has been noted that macroeconomic events in an individual's youth and young adulthood are likely to have particularly long-reaching implications. Specifically, Giuliano and Spilimbergo (2009) find a link between macroeconomic instability experienced between ages 18 and 25 and a preference for redistribution. Those experiencing greater instability in this formative period ('the impressionable years') are more likely to attribute success to luck and more strongly favor redistribution.

The Appendix puts the experiences of the cohorts in this paper into reference. The educational and workplace environments experienced by Baltic citizens typically included both Soviet and Post-Soviet conditions – the Soviet system (1940–1989) and the post-Soviet transition (1989–2008). The oldest members of the first age cohort in the 1990 sample became 20 years old in 1980 and all of these workers were educated and worked in the Soviet Union. In contrast, in the 2008 sample, the oldest member of the first cohort turned age 20 in 1998 (under a very different economic and political climate) and the youngest members were not born at the time of the transition. It is important to note that the EVS does not interview the same individuals over time. Instead the data consists of 3 random draws from the population at different points in time: 1990, 1999 and 2008.

Country specific fixed effects are likely since each country progressed through transition at a different pace and with different realizations of current income distribution. In addition, cultural differences are present primarily due to different historical experiences and different religions.

### 3.2. Individual Variation

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Age is a source of variation in preference for income redistribution regardless of the institutional or political dynamics. An individual's eligibility for redistribution varies across the life cycle and thus the individual benefits of redistribution change as an individual ages. In addition, Fowler (1981) explains that faith and other moral opinions develop in a series of steps over the lifecycle. Age cohorts in this study are defined to correspond roughly with life course stages (16–30, 31–54 and 55+). The usual result is that age invokes a u-shaped pattern in terms of preferences and thus age squared is employed in empirical models.

Females have been shown to have stronger preferences toward redistribution even after controlling for differences in income (Shapiro and Mahajan, 1986; Inglehart and Norris, 2000). Females also show slightly stronger preferences toward altruism in experimental settings (Simmons and Emanuele, 2007; Eckel and Grossman, 1998). In the case of welfare states, women may attribute a greater likelihood to receiving social support as they live longer, shoulder more of the burden of family care and are more likely to move in and out of the labor force.

Education enhances the likelihood of upward mobility, and therefore, decreases  $Q_i^*$ . Education also reduces the risk of unemployment and makes it more likely the individual will find another job. As a result, education is commonly employed in models of this type.

In terms of economic outcomes, both income and labor market status are important.  $Q_i^*$  is decreasing in income. Individuals with higher lifetime income expectations gain less

through income transfers and from socially provided goods. They also have a greater ability to self-insure against financial hardships. Those who are most vulnerable in the labor market indicate stronger preferences for redistribution, so we expect those who are unemployed to favor transfers more.

Social capital is also considered to be a factor in our preference toward redistribution. Our place in society is influenced by aspects of both our demographics (race in particular) and our actions.

Race has been shown to be one of the most significant factors in terms of income redistribution policies. For example, Luttmer (2001) finds that US redistribution preferences are dependent upon the race receiving the aid. We tend to decrease redistribution if the benefits go primarily to other groups. In the case of the Baltic States, an interesting consideration is the presence of the Russian minority in each country. Ethnic Russians tend to be relatively isolated in terms of language and, in some cases, geography. Unlike the case of the US, however, the Russian minority is not more likely to be economically disadvantaged. The examination of education, gender and income statistics employed in this paper reveal a high level of similarity between Russians and non-Russians in the Baltic States.<sup>4</sup>

Those who have a stronger sense of attachment toward others in society are more likely to feel the plight of the disadvantaged to a greater extent. It is difficult to measure self-reported social capital separately from altruism or preferences for redistribution. Robert Putnam (2001) uses participation in community organizations as one measure of social connection – something that can be seen separately from social action and used to measure ties between societal members. Population density has often been used as proxy for social capital since those living in cities reduce their associations with strangers and demonstrate less helping behavior (Steblay (1987) provides a meta-analysis of such studies).

Religiosity is another possible indicator of social capital and also a separate determinant of preference for income redistribution. That is, one may be more likely to be socially oriented because of the ties generated through the religious organization (social capital) or through the teaching of religions that helpfulness and generosity is virtuous (a determinant in addition to social ties). Simmons and Emmanuel (2012) use an Oaxaca-Blinder decomposition and show that those who are more religious are more likely to demonstrate more pro-social tendencies, even after the usual determinants of education, age, gender and family characteristics are considered. Alesina and Giuliano (2011) also include religion in their study of redistribution preferences and find both denomination and current religious participation matter in preferences.

#### 4. Data

The European Values Survey has been tracking opinions on numerous aspects of life since the 1980s. Through common questions and coding, international comparisons have been facilitated. For this analysis, I use the Estonian, Latvian and Lithuanian samples from the European Values Surveys conducted in 1990, 1999 and 2008. Individuals are randomly selected to participate in the EVS in each nation. Repeated interviews do not take place so the results are snap-shots in time, of which I will focus primarily on the 2008 snapshot.

<sup>4</sup> Information regarding the Russian sub-sample is available upon request.

In order to study preferences for income redistribution, it is necessary to identify dependent variables from the EVS. Specifically, for empirical modeling, the question used is: *EQUALIZED\_INCOME*: How would you place your views on this scale? Select a number from 1 to 10 where 1 = there should be greater incentives for individual effort and 10 = incomes should be made more equal. Note, this is reverse coded from the original survey so that a higher value of *EQUALIZED\_INCOME* indicates a preference toward redistribution of income.

In addition, we examine the question: *COMPETITION\_HARMFUL*: How would you place your views on this scale? Select a number from 1 to 10 where 1 = competition is good; it stimulates people to work hard and develop new ideas and 10 = competition is harmful; it brings out the worst in people. A higher score for *COMPETITION\_HARMFUL* indicates a distrust of profit motives and encouragement of cooperation instead of competition.

The descriptive analysis for this paper focuses on country of origin (Estonia, Latvia or Lithuania) and age group. Age groups are defined roughly based on life stages. Specifically, members of the youngest cohort are respondents who are between the ages of 16 and 30 when respondents are most likely to be career focused. Middle adulthood (defined here as ages 31–55) is a period commonly associated with raising children and often caring for elderly parents and thus middle adults are likely to be drawn into community or youth organizations and take increasing leadership roles in the world of work or informal organizations (Hertzog et al, 1989). Members of the oldest cohort (age 56+) demonstrate the weakest labor force attachment and are likely to be high redistribution recipients. They also have the most experience with the Soviet socialist system.

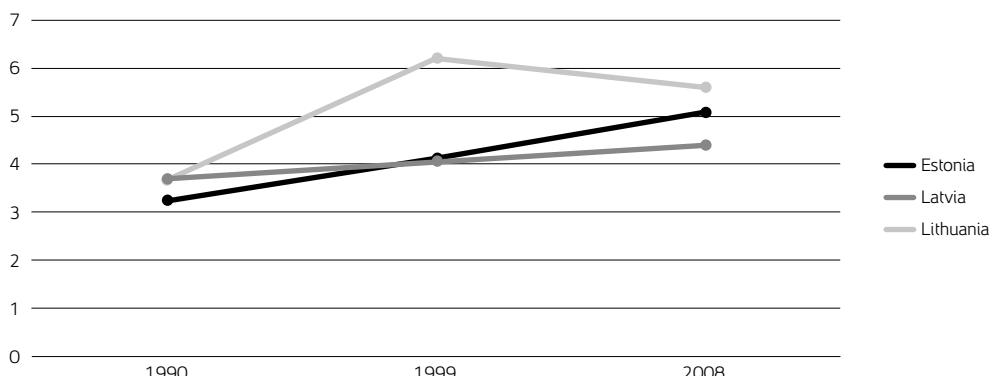
## 5. Descriptive Analysis

### 5.1. Trends by Country

Figures 1 and 2 show the trends in income redistribution preferences in each Baltic Country. Figure 1 lacks one data point since the equalized income question was not asked in Latvia in 1999.<sup>5</sup>

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**Figure 1. Preference for Equalized Income**



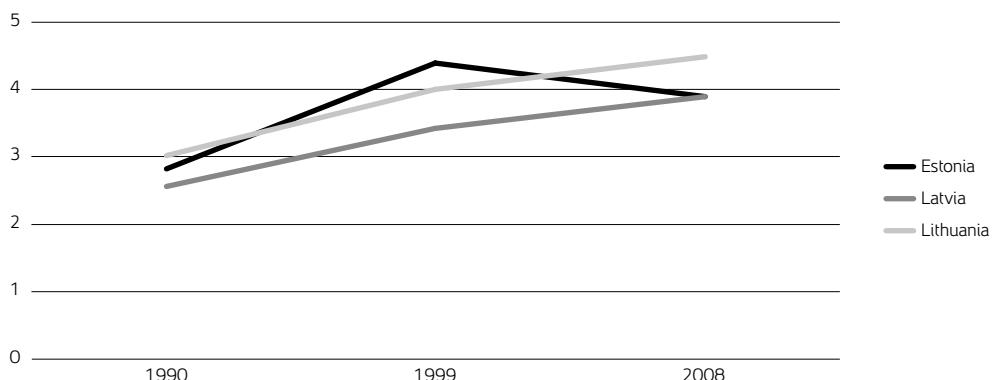
Source: Author's calculations based on European Values Survey, 2011

<sup>5</sup> The trend line included is only to make it easier to track the results for Latvia – the actual opinions of Latvians in 1999 are not observable.

In Figure 1, we see that the overall tendency in each country has been to prefer more equal distribution of income. The dependent variable is measured on a scale from 1 to 10 where 1 indicates that large income differences are needed as incentives and 10 indicates a preference for more equality. The largest change in preference is in Lithuania, corresponding with the period of significant economic change, and all three countries show statistically significant differences in mean response over time at a 99% confidence level. Estonia's preference has increased steadily over time while the response for Lithuania indicates a move to prefer slightly more unequal distributions of income in 2008 compared to the difficult economic adjustment period in 1999.

Figure 2 shows respondent opinions on the helpfulness or harmfulness of competition in society. A higher value indicates distrust in the market mechanism. We again see a move toward pro-social policies. The rate of growth of this variable was highest 1990 to 1999, the time when social policy was weak and economic realignment forces created higher unemployment. In 2008, the value either grew more slowly (Latvia and Lithuania) or fell (Estonia). It is important to note that this variable is measured on a scale from 1 to 10 so the average response is still more in favor of competition (<5). In the case of Estonia, we see a rebound from the economic uncertainty in 1999 with more people doubting the usefulness of competition in 1999 compared to 2008. In the case of Lithuania and Latvia, we see a gradual and less dramatic change in the harmfulness of competition between time periods. All differences again are statistically significant at a 99% confidence level.

Figure 2. Competition is Harmful



Source: Author's calculations based on *European Values Survey*, 2011

The pattern from country to country is fairly consistent – a move in the direction toward redistribution over time and most significantly occurring between 1990 and 1999. Both diagrams indicate a slight moderation since the most dramatic period of transition in 1999. The sensitivity of preferences for redistribution to individual characteristics (and thus vulnerability to transition) is explored through the empirical model in Section 6.

## 5.2. Analysis by Age Cohort

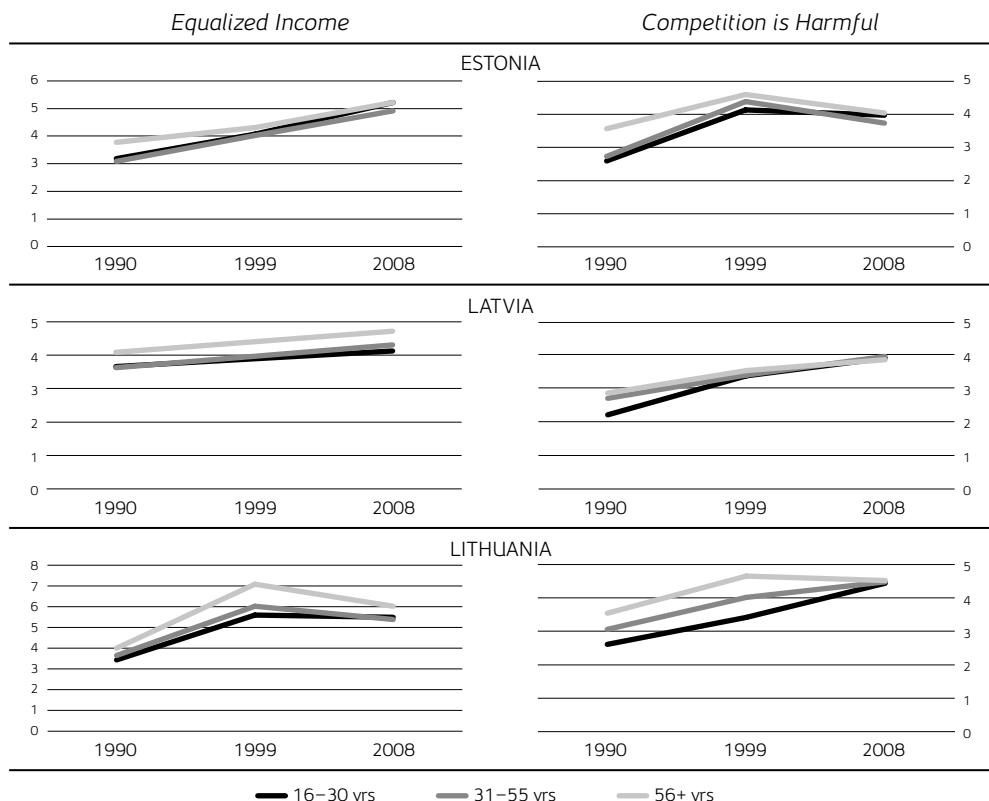
Next, we recognise that not all respondents in a country have been impacted by transition in the same way and may not have the same viewpoints on redistribution policy. To study the

impact of differences in institutional environments over time, we analyse the same two variables by age group in each country.

Regardless of country, Figure 3 shows respondents in the oldest cohorts favor the redistribution of income the most. This is true in all time periods (though Latvia is unobserved in 1999). Differences between the youngest cohort and the middle cohort are insignificant. The oldest cohort in each period stands to gain from policies which redistribute income from workers to retirees and this was a significant issue in transition as many were dependent upon state pensions and other public support. State support was particularly low in the early days of transition when growth was slower and the costs of readjustment were being most severely experienced. It is also useful to see that the views expressed by the different age cohorts do not vary significantly, especially in 2008 and, in all cases, have moved toward more redistribution.

We see the expression of the suspicion of competition more strongly in the oldest cohort (especially in Latvia and Lithuania). The oldest cohort likely found competition for jobs more severe than those who were recently educated. The young could more easily adjust their career paths and may have skills that are more desired in global competition. Younger people in each country, and especially in Lithuania, were slower to adjust their view that competition is harmful. By 2008, we see little difference in responses between age groups.

**Figure 3.** Income Distribution Preferences by Age Group



Source: Author's calculations based on *European Values Survey*, 2011

## 6. Modeling the Preference for Redistribution Across Countries

Descriptive analysis cannot account for the differences in income, unemployment, religiosity and social capital in each cohort. Since these factors have been shown in previous studies to influence redistribution preferences, analysis by simple descriptive statistics is likely to attribute differences in redistribution preferences to age when really a different factor is responsible. As a result, an alternative method is needed.

In this paper, a linear regression model is applied which examines the influence of the standard factors on preference for redistribution. Since the variable *Equalized\_Income* is most closely aligned with the research question and previous literature, analysis of the competition variable is omitted. Since some variables of interest were not available in the earliest waves (particularly the dependent variable in Latvia in one wave, a consistent measure of education and group memberships), only the 2008 results are presented. To account for the impact of educational and work regimes in the Soviet era, country and birth cohort fixed effects are employed.

In addition to age and country, the empirical model allows for variation in demographic, labor market and social factors, which may influence preferences for income redistribution. Specifically, a variable *Female* is included which equals 1 when the respondent is a female. Education is included in the form of dummy variables for *HighSchool*, *SomeCollege* and *College*. Education increases the likelihood of upward mobility, thus decreasing the preference for redistribution. *Religious* is a variable denoting if the respondent indicated that they considered themselves a religious person (=1) or not (=0).<sup>6</sup> Economic indicators included are the natural *Log of Household Income*, which is expected to have a negative coefficient, and a dummy variable indicating if the individual is *Unemployed* (=1) or not (=0). The number of *Memberships* in community groups and *Town Size* (on a 4 point scale) are considered as social capital variables. *Russian* is a dummy variable which indicates if the individual took the survey in Russian (=1) or one of the Baltic Languages (=0). It is possible that ethnic Russians took the survey in Estonian, Latvian or Lithuanian so the dummy variable Russian focuses primarily on respondents who are most likely to suffer exclusion and lack of citizenship.

Ordinary Least Squares regression is estimated using *Equalized\_Income* as the dependent variable. In addition to the Pooled Sample for all age cohorts in 2008, the analysis in Table 1 also includes cohort specific regressions.

As typically found in income redistribution preference regressions, the coefficient for *Female* is positive and statistically significant overall. When considering just the age specific cohorts, women in the over 55 age cohort were not significantly more in favor of redistribution than their male counterparts. Those of child-rearing ages were most likely to demonstrate stronger preferences for redistribution.

*Age* demonstrates a U-shaped preference curve. Those in the middle age cohort (the prime wage earning ages) were least likely to favor redistribution. Not surprisingly, age exerted no influence within the cohort specific regressions.

<sup>6</sup> There are other options to measure religion including denomination and number of times attending church in a period of time available in the dataset. Some differences in religious practice are likely to occur between denominations (especially variations in expectations of participating in religious services). Those who indicate that religion is important to them could demonstrate differences in otherness focus as a result of the teachings of the churches or as self-selection to more socially oriented organizations.

Estimates indicate that the higher the education, the less likely to support income redistribution. This is true within the middle age cohort model as well, but not so in the youngest and only partially true in the oldest. The youngest may still be increasing their stock of human capital and the oldest are unlikely to experience much benefit from their education through work or a reduction in labor market uncertainty.

The signs of the coefficients regarding household income and unemployment are as expected; however, the coefficients are not statistically significant. Education, age, gender and race all interact with the determination of income and therefore insignificance is not that surprising.<sup>7</sup>

The dummy variable *Russian* appears with a negative slope and this is statistically significant in the overall model and the young cohort model. Russians in the Baltic States may believe that they are asked to overinvest in the provision of income support or public goods, particularly due to language or citizenship restrictions. The literature suggests that individuals favor income redistribution less if the benefits of redistribution go to another racial or ethnic group. In this case, Russians would not favor redistribution if they feel it benefits their group little.

The coefficients on the three social capital oriented variables are basically statistically insignificant. The only exceptions are social group membership among the middle age cohort and town size among the youngest group. The middle life phase, often associated with child rearing, involves increased social participation. These connections may increase social cohesion. The young in urban areas demonstrate a weaker preference for income redistribution. This is as predicted by social capital theory and may indicate some self-selection to an urban environment for upwardly mobile young adults. Town Size does not appear significantly in other regressions.

Finally, as indicated in the descriptive analysis, Latvia shows a residual increase in income redistribution preference compared to Estonia, the omitted category. Lithuania shows a decrease in overall redistribution, which remains unique to this institutional environment. While we often think of the Baltic countries together, there are unique circumstances in each and each has taken its own path forward. In particular, the very strong impact of the Latvian fixed effect in the young cohort regression seems in line with the outmigration of young adults in Latvia (McIntosh, 2009). If there is greater dissatisfaction with policies in Latvia, one manifestation would be ‘voting with their feet’.

Finally, the overall impact of the political and institutional environment is examined through overall cohort effects. In Table 1, we see that no impact from a specific cohort remains if we include age and age squared in the regression. The signs of the coefficients indicate that more redistribution continues to be preferred by the oldest cohort and the youngest cohort prefers redistribution the least; however, the effect is not significant. With so many dummy variables and limited observations, it is not surprising that the model has low predictive power. We do, however, gain a deeper understanding than in the descriptive analysis of the previous section.

More detailed fixed effects are included in the model by interacting cohort with country. The coefficients for these interaction terms are shown in Table 2. If institutional indoctrination occurred so that cohorts demonstrate different preferences for income redistribution,

<sup>7</sup> Alesina and Giuliano (2011) also note that the basic Meltzer and Richard (1981) model has found weak support empirically.

then we would see different signs or at least significantly different coefficient values in the interaction effect dummies. Once again, we find limited statistically significant results. Of particular importance, however, are the influences of the Latvian cohorts.

**Table 1.** Regression Model Results

	Pooled Sample Born 1909-1992	Young Cohort Born 1978-1992	Middle Cohort Born 1953-1977	Older Cohort Born 1909-1952
(Constant)	5.772 *** (.505)	-.784 (4.075)	8.536 *** (2.592)	7.677 (5.250)
Female	.220 ** (.090)	.244 * (.182)	.416 *** (.132)	-.121 (.168)
Age	-.027 (.023)	.522 (.343)	-.150 (.122)	-.066 (.150)
Age squared	.033 * (.020)	-1.099 (.708)	.171 (.141)	.062 (.107)
High_School	-.369 *** (.109)	.186 (.211)	-.792 *** (.171)	-.282 (.197)
Some_College	-.553 *** (.130)	.107 (.283)	-.845 *** (.194)	-.771 *** (.001)
College	-.527 *** (.170)	-.210 (.405)	-1.047 *** (.250)	-.299 (.301)
Ln_HH Income	-.091 (.151)	.042 (.318)	-.082 (.222)	-.212 (.270)
Unemp	.415 * (.236)	.318 (.408)	.451 (.314)	.877 (.649)
Russian	-.229 ** (.119)	-.503 ** (.231)	-.100 (.182)	-.157 (.214)
Religious	-.094 (.105)	.233 (.201)	-.165 (.152)	-.273 (.202)
Memberships	.054 (.039)	.124 (.086)	.123 ** (.056)	-.045 (.070)
Town size	-.049 (.034)	-.165 ** (.067)	-.043 (.051)	-.003 (.063)
Latvia	-.567 *** (.117)	-1.300 *** (.223)	-.231 (.180)	-.494 ** (.217)
Lithuania	.609 *** (.128)	.040 (.256)	.743 *** (.193)	.847 *** (.229)
Young_Cohort	-.111 (.218)			
Older_Cohort	.198 (.188)			
N	3417	765	1503	1147
R squared	.064	0.099	.064	.063

Dependent Variable: *Equalized\_Income*

\* denotes statistically significant at  $\alpha=10$ . \*\* denotes significance at  $\alpha=.05$ . \*\*\* denotes significance at  $\alpha=.01$ .

**Table 2.** Interaction Terms: Cohorts and Countries

Pooled Sample Interaction Terms	
Latvia	-1.053 *** (.222)
Lithuania	.367 (.235)
Mid*Latvia	.456 * (.271)
Older * Latvia	.623 * (.370)
Mid * Lithuania	.066 * (.271)
Older * Lithuania	.393 (.371)
Mid * Estonia	-.151 (.265)
Older * Estonia	-.039 (.364)
N = 3417	
R-square = .066	

Dependent Variable: *Equalized\_Income*. Regressors from Table 1 also included.

\* denotes statistically significant at  $\alpha=.10$ . \*\* denotes significance at  $\alpha=.05$ . \*\*\* denotes significance at  $\alpha=.01$ .

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## 7. Conclusion

Overall, we see descriptive evidence that different age cohorts in the Baltic States perceive income inequality in different ways. In general, the older population is more in favor of income redistribution than the young, though the young have become increasingly more in favor of redistribution over time. However, taking into account the individual specific determinants of income redistribution preferences, we can explain the difference in views without evidence of institutional indoctrination. Since the Baltic States maintained a culture of individualism and nationalism even without a state, it seems that even the older generation retains an orientation much like that of those living in long-term market systems. In addition, we may be seeing a pulling away from an extreme distrust of the government and social policy in response to a history of government control. Over time, we also see improved economic performance, which may create an environment in which social policy goals rise in importance.

This paper has not supposed that there is an ideal income distribution to strive to support. Instead, the approach has been to examine the evidence to see if redistribution preferences can be found to differ on the basis of institutional background. Differences between the cohort responses to income redistribution have decreased and now there is a large degree of agreement between the three age cohorts. Some evidence exists that the young in Latvia in particular favor less redistribution, even after accounting for other factors.

This work will benefit from continued study of some of the factors. Specifically the period of most difficult adjustment is tied to a stronger preference for government support and this

may be examined well using carefully constructed measures of unemployment or employment structure. In addition, variables regarding trust in the government and need for economic policy change are available in some waves of the EVS, which would allow investigation of the hypothesis that lack of confidence in government in general discourages preferences toward income redistribution. The Baltic States are unique in some important characteristics, which can also be explored through a cross-country comparison with nations that did not experience the Soviet Socialist system.

This paper has made an initial pass at the descriptive analysis of trends by demographic group and the implementation of a standard model for the estimation of risk preference. Strong support for growing homogeneity in the preferences of Baltic citizens can be demonstrated, once predictable effects of individual circumstances are considered.

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## Appendix. Cohort Description

Sample 1: Data collected in 1990

	N	Av. Age	Born	Early work life	History
16-30 year olds in 1990	857-884	23.38	1960-1974 (aver. 1967)	1980-1994 (aver. 1987)	Working 10-20 years or less in USSR style.
31-55 year olds in 1990	1322-1359	42.13	1935-1959 (aver. 1948)	1955-1979 (aver. 1968)	Working more than 20 years in USSR economy.
56 -99 year olds in 1990	475-496	63.77	1891-1934 (aver. 1926)	1911-1954 (aver. 1946)	Primarily USSR economy. Some pre-USSR experience.

Sample 2: Data collected in 1999

	N	Av. Age	Born	Early work life	History
16-30 year olds in 1999	442-701	24.08	1969-1983 (aver. 1975)	1989-2003 (aver. 1995)	Earliest work days and university during perestroika. Soviet education.
31-55 year olds in 1999	798-1252	42.44	1944-1968 (aver. 1956)	1964-1988 (aver. 1976)	Born at the end or after WWII, the USSR period. Cold war at peak in youngest work days.
56 -99 year olds in 1999	514-839	66.05	1900-1943 (aver. 1934)	1920-1963 (aver. 1954)	Born prior to end of WWII. Most did not work in pre-Soviet economy.

Sample 3: Data collected in 2008

	N	Av. Age	Born	Early work life	History
16-30 year olds in 1999	1090-1100	23.79	1978-1992 (aver. 1984)	1998-2012 (aver. 2004)	Born during the thawing of the USSR. Worked only in independent Baltics.
31-55 year olds in 1999	1863-1906	42.72	1953-1977 (aver. 1965)	1973-1997 (aver. 1985)	Born at height of Cold-war and worked in USSR system for 12-37 years.
56 -99 year olds in 1999	1339-1360	67.7	1909-1952 (aver. 1940)	1929-1972 (aver. 1960)	Worked in USSR system for decades.