# THE QUALITY OF GOVERNMENT CONDITIONS POLITICAL DISAGREEMENT OVER REDISTRIBUTIVE POLICIES

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**Abstract**  This study argues that the quality of government structures the divide of public opinion on redistribution within countries. Countries with higher government quality have both the capacity and impartiality required to implement effective and fair redistribution. In effect, material self-interest and fairness-based evaluations should become better predictors of policy preferences in countries with higher government quality. An empirical analysis of survey data from 40 institutionally diverse countries supports this theory. Interaction regression models show that the government quality moderates the effects of income and unfairness perceptions on redistribution preferences. Both preference drivers are more strongly associated with redistribution support in countries with higher government quality. Preferences thereby become more heterogeneous in higher-quality settings. The results offer micro-level support for the theory that government quality structures politics and policies via the public opinion channel. To the extent that public opinion influences political behavior and policymaking, higher government quality should induce a stronger economic left-right divide over these political phenomena.

## INTRODUCTION

I argue in this study that the quality of government (QoG) exacerbates the heterogeneity of public opinion on redistributive policies within countries. Higher-quality governments have more capacity to implement effective redistribution, and they are less prone to corrupt or clientilistic practices that undermine the impartial distribution of resources. In effect, self-interest becomes more important in determining support for redistribution because the material incentives increase; and the perceived unfairness of the income distribution becomes more consequential because public redistribution becomes a more appropriate equalizing force. Thereby, public opinion becomes more heterogeneous under higher QoG.

A cross-sectional analysis of survey data from 40 institutionally diverse countries offers correlational evidence for the theory. Both household income and perceptions of unfair inequality have substantially stronger associations with redistribution

support in countries with higher QoG. Preferences diverge considerably between those with different income and unfairness perceptions when QoG is high, while preferences are more homogenous in lower-quality settings.

This study contributes to the literature by offering micro-level support for the theory that QoG may structure the economic left-right divide in political behavior and policymaking (Kasara and Suryanarayan 2015, 2020). Redistribution preferences shape voting behavior (Rueda and Stegmueller 2019: ch. 8) as well as party competition and policy outcomes (Adams et al. 2004; Engler and Zohlnhöfer 2019). Since inequality-related preferences are more diverse in higher-quality settings, the economic left-right divide may be more substantial in structuring political behavior and policymaking. In lower-quality settings, in contrast, disagreement about public redistribution may be muted.

## THE DRIVERS OF REDISTRIBUTION PREFERENCES

Previous research identified a set of drivers (that is, determinants) of redistribution preferences. At the risk of oversimplification, the literature can be separated into studies focusing on egotropic and sociotropic concerns. First, individuals are motivated by material self-interest. Those who currently have less market income and those who expect to lose market income in the future demand more redistribution (Meltzer and Richard 1981; Rueda and Stegmueller 2019). This expectation is supported by a large body of empirical research (Ahrens 2022a; Rehm 2009; Rueda and Stegmueller 2019).

Second, researchers focusing on sociotropic concerns theorize that people support more redistribution when they care about (specific) peers (Dimick et al. 2017). One of the most robust findings is that distributive fairness perceptions matter. When the perception prevails that people do not get what they deserve, inequality is rejected and public redistribution receives more support (Fong 2001; Gee et al. 2017). For example, those who perceive a rift between just and realized incomes demand more redistribution (Ahrens 2022b; Kuhn 2010).

## THE CONDITIONING ROLE OF QUALITY OF GOVERNMENT

This section advances the theory that the quality of government (QoG) assumes a moderating role which structures to what extent the drivers of redistribution preferences exert an effect. People support varying levels of income equalization depending on both ego- and sociotropic considerations. However, this goal only translates into demand for redistribution if public institutions have sufficient quality to implement redistribution.

I define QoG as governments having *redistributive capacity* and *impartiality*. First, redistributive capacity depends on whether governments and their bureaucracies can enforce the tax code and appropriately provide transfers and services to citizens (Petrova 2021). Second, the *impartiality* of government relates to whether citizens are

treated alike, in particular whether corruption and clientelism are absent in policy-making and public administration (Rothstein and Teorell 2008).

Both redistributive capacity and impartiality are important for the decision of whether to turn to the state to pursue income equalization. In lower-quality settings, the redistribution demand of those who would gain from redistribution (both materially and ideologically) will be depressed because redistributive efforts are ineffective and inefficient. And those who would lose from redistribution are less opposed to it because they must not fear that redistribution will actually be implemented. Furthermore, clientelism—which coincides with lower QoG—undermines the material and ideological incentives to support or reject redistribution because the distribution of resources depends on special relationships rather than impartial government policies. In higher-quality settings, in contrast, preferences will diverge to a stronger extent between those with different ego- and sociotropic motivations because citizens either fear the sharp blade of the state or welcome its redistributive impact.

## SITUATING THE ARGUMENT IN THE LITERATURE

My theory draws from previous literature arguing that people support more redistribution when they have *trust* in public institutions and officials (Edlund 1999; Rothstein et al. 2012). This concept is related to QoG as QoG fosters trust in the state (Rothstein et al. 2012). Empirical evaluations of the trust hypothesis are inconclusive so far, with studies presenting a mix of supporting evidence (Edlund and Lindh 2013; Kuziemko et al. 2015; Rudolph and Evans 2005; Svallfors 2013) and refuting evidence (Edlund 1999, 2006; Peyton 2020; Svallfors 1999).

In contrast to the trust hypothesis, I consider it misguided to characterize QoG (or political trust) as an independent determinant of preferences. QoG rather structures to what extent preferences diverge between people with different ego- and sociotropic motivations. Consider what happens in a country with high QoG. The trust literature would expect that this country has uniformly stronger political trust, which then translates into higher redistribution demand. I rather expect that only those who favor income equalization have stronger redistribution demand, that is, poorer individuals and those who find inequality unfair. Conversely, those opposed to income equalization (that is, the rich and those who find inequality fair) should not react to higher QoG with higher trust and redistribution demand—they should rather fear QoG and have lower redistribution demand. This bifurcated effect may explain the inconclusive findings from the trust literature.

My theory reverberates Svallfors (2013), who argues that (perceived) QoG not only increases redistribution support but also moderates the effect of egalitarian attitudes. In contrast, I expect the moderating role of QoG to not be limited to egalitarianism—it rather extends to preference drivers in general, such as income. The theoretical and empirical scope of the argument thereby widens considerably.

## DATA

The empirical analysis uses individual-level data from the 2009 Social Inequality Module of the International Social Survey Programme (ISSP Research Group 2017). The dataset is well suited because it contains comprehensive measures relating to economic inequality and redistribution. It covers 39 institutionally diverse countries with government quality ranging from countries such as Bulgaria and the Philippines to countries such as Finland. The online supplementary material contains a full list of countries and descriptive statistics on their government quality.

### Drivers of redistribution preferences

The first independent variable measures respondents' equivalized household income, which relates to egotropic motivations. Household income is recorded in country-specific currencies in the ISSP data (often in coarsened form). These income values are first equivalized by dividing by the square root of household members and then brought on the same scale across countries by dividing values by country-specific means. The variable's distribution is winsorized[1] at the 1st and 99th percentiles and then logged.

The second independent variable measures perceived unfairness of realized income outcomes, which relates to sociotropic motivations. Respondents were asked to estimate what five professions *do* earn and what they *should* earn: an unskilled factory worker, shop assistant, doctor in general practice, chairman of a corporation, and government minister. I first calculate the magnitude of divergence between estimated and just earnings for each profession.[2] The value one indicates perfect congruence between actual and just earnings, whereas a value of two—for example—shows that a profession earns either twice as much or half as much than it should. The divergences of all five professions are averaged, winsorized at the 95th percentile, and subsequently logged.

### Redistribution preferences

Cavaillé and Trump (2015) demonstrated that support for inequality reduction ("redistribution from") and support for welfare provision to specific beneficiaries ("redistribution to") are distinctive dimensions of redistribution preferences. I take up this insight by using two alternative dependent variables. The first measures support for income equalization via reactions to the statement "it is the responsibility of the government to reduce the differences in income between people with high incomes and those with low income",[3] which is one of the best predictors of the "redistribution from" dimension (Cavaillé and Trump 2015: 153). The second dependent variable

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[1] Winsorizing means that values below the 1st percentile are recoded to values at the 1st percentile and values above the 99th to the 99th percentile.

[2] This divergence $d$ of profession $i$ is defined as $d_i = \frac{a_i}{e_i}$ if $a_i \geq e_i$ and $d_i = \frac{e_i}{a_i}$ if $a_i < e_i$, where $a$ refers to estimated actual earnings and $e$ to just earnings.

[3] Unfortunately, an item that specifically addresses support for government redistribution rather than government responsibility is not available.

measures support for unemployment assistance via reactions to "the government should provide a decent standard of living for the unemployed", which maps onto the "redistribution to" dimension. Both variables have five scale points ranging from disagree strongly to agree strongly.

### Quality of government

I use a country-level QoG indicator on a scale from zero to one from the International Country Risk Guide (ICRG) (PRS Group 2024), which has been widely used in comparative research (e.g., Kasara and Suryanarayan 2015, 2020; Petrova 2021; Rothstein et al. 2012). It is a summary measure of three sub-indices on bureaucracy quality (e.g., autonomy and competency of bureaucrats), corruption (e.g., bribes and nepotism), and law and order (e.g., observance of the law). The data are sourced from standardized surveys of local analysts who score country performance across a range of fine-grained sub-dimensions. The exact methodology is described in PRS Group (2022). Figure A1 in the online appendix shows the distribution of QoG across countries.

The indicator is well-suited because the sub-components are directly relevant for redistributive capacity and impartiality, which are the determinants of government quality. Redistributive capacity is best measured by bureaucracy quality because the ability of the state to tax and provide transfers primarily depends on the availability of skilled bureaucrats with sufficient resources. And impartiality is best measured by both corruption and law and order.

### Control variables

I use several individual-level controls from the ISSP data: gender, age, age squared, the highest level of education (five categories: none or lowest, above lowest, higher secondary, above higher secondary, university), and employment status (four categories: employed, unemployed, in education, not in labor force). I also use several country-level controls that measure potential alternative explanations for varying effects of income and unfairness perceptions across countries. Most importantly, income inequality (measured via the Gini index) may induce both self-interest- (Meltzer and Richard 1981) and altruism-based effect heterogeneity (Dimick et al. 2017); the actual level of redistribution (measured via tax and transfer progressivity) influences both egotropic and sociotropic evaluations of redistribution (Beramendi and Rehm 2016); and countries with higher prosperity (measured via GDP per capita) may have higher disagreement about redistribution in society (Dion and Birchfield 2010). I also use the labor share of GDP, the unemployment rate, the proportion of the population over 65, ethnic and religious fractionalization, social spending to GDP, and a democracy measure (see the online supplementary material for details and data sources).

### EMPIRICAL ANALYSIS

Figure 1 presents descriptive statistics on the means and standard deviations of the two policy preference variables across the covered countries. It shows that—on
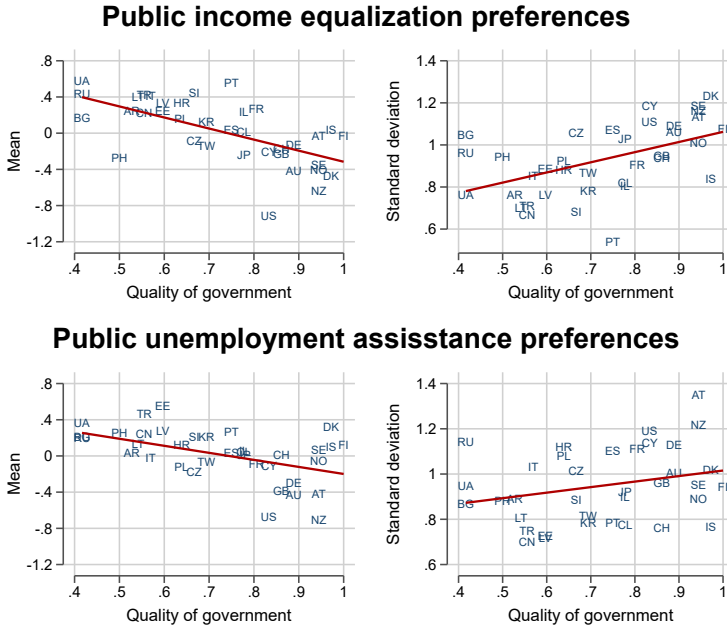
## Public income equalization preferences



## Public unemployment assisstance preferences



**Figure 1.** Means and standard deviations of preferences across countries

**Note:** The underlying variables (income equalization and unemployment assistance preferences) are standardized across the whole dataset to a mean of zero and a standard deviation of one.

average—countries with higher QoG support less redistribution but display greater variance in their preferences. Figure 1 therefore offers first support for the argument that QoG functions as a wedge that makes preferences more heterogeneous. The results are also inconsistent with the view that redistribution support increases with QoG, as political trust theories would expect.

### Main regression analysis

I move on to regression-based evidence to test whether the effects of income and unfairness perceptions on redistribution preferences are stronger in countries with higher QoG. I estimate the following interaction regression model with ordinary least squares:

$$\text{pref}_{ic} = \alpha \text{inc}_{ic} + \beta \text{unfair}_{ic} + \gamma(\text{inc}_{ic} \text{ OR } \text{unfair}_{ic}) * \text{QoG}_c + \delta \text{cntrl}_{ic} + \theta_c + \epsilon_{ic},$$

where *pref*$_{ic}$ refers to the redistribution preference of individual $i$ in country $c$, *inc*$_{ic}$ to household income, *unfair*$_{ic}$ to perceived income unfairness, *QoG*$_c$ to government quality in country $c$, *cntrl*$_{ic}$ to individual-level controls, $\theta_c$ to country fixed effects, and $\epsilon_{ic}$ to the error term. Because of the included country fixed effects, the analysis relies

**Public income equalization preferences**



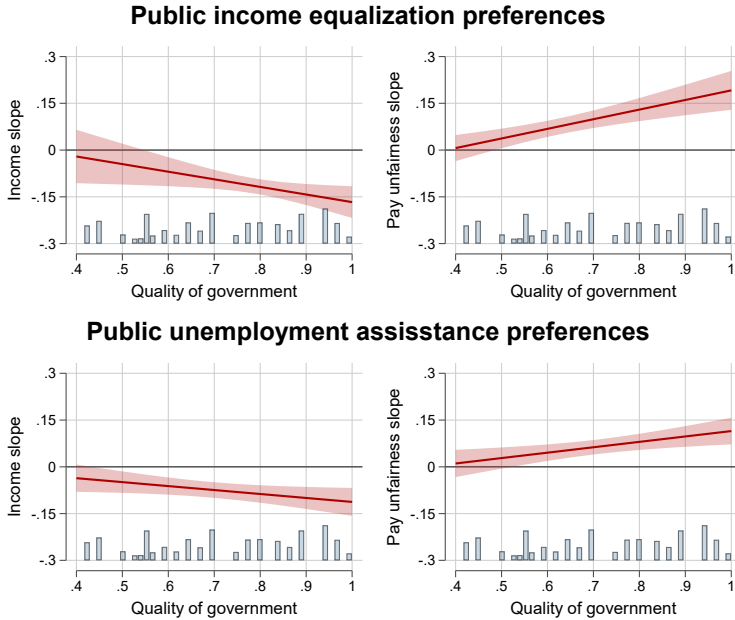**Public unemployment assisstance preferences**



**Figure 2.**   Income and unfairness perception slopes by quality of government

**Note:** The figure depicts conditional marginal effects with 95% confidence intervals obtained from four regression models. The solid lines indicate the strength of the association between income/unfairness perceptions and redistribution preferences at different values of government quality, holding gender, age, age squared, education, and employment status constant. The full regression results are available in Tables A1-A2 in the online supplementary material.

only on within-country variation, which has the advantage of holding unobserved country-level confounders constant.

I standardize all main variables except QoG so that all slope coefficients indicate expected standard deviation changes of policy preferences when an independent variable increases by one standard deviation. The standard errors are clustered by countries. Lastly, the regressions are reweighted so that each country has the same overall weight because the primary theoretical interest ("do drivers exert a stronger effect in countries with higher QoG?") concerns the country level.[4]

Figure 2 plots the results of four regression models that use either income equalization or unemployment assistance preferences as the dependent variable. Each model includes an interaction term between QoG and either income or unfairness perceptions. The panels depict the slope (that is, marginal effect) of one the two drivers conditional on government quality. Full regression tables are available in the online supplementary material.

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[4] This is achieved by assigning more (less) weight to countries with less (more) observations (see the online appendix for details).

The results support the theoretical expectations. The effect estimates of income are generally negative, but they crucially depend on QoG for both dependent variables. Income is weakly associated with preferences in lower-quality settings, while the association becomes considerably stronger under higher QoG. Corresponding results are observed for the unfairness perception variable. Perceived unfairness covaries with preferences under higher QoG while its effect estimates remain negligible under low QoG.

For both dependent variables, the effect estimates have moderate size under high QoG, generally reaching between 0.15 and 0.2 standard deviations of the redistribution preferences following a one standard deviation change in one of the drivers. In contrast, the marginal effects become substantially indistinguishable from zero under lower QoG.

Overall, the results suggest that QoG conditions to what extent income and unfairness perceptions are associated with redistribution preferences. Preference heterogeneity—for example between those with high and low incomes—is muted in low-quality contexts and exacerbated in high-quality contexts.

### Additional evidence

Table A3 in the online appendix presents additional evidence on the association between QoG *per se* and redistribution preferences, derived from models without country fixed effects and interaction terms. It shows that—in line with theoretical expectations—QoG itself does not have a positive association with preferences. In fact, the results rather suggest a negative association.

Figure A2 in the online appendix shows that rising QoG primarily changes the preferences of those with higher incomes and lower unfairness perceptions. The finding is based on regressions where QoG and the independent variables are used in categorized form (terciles) to avoid parametric assumptions. The results show that those with higher income and lower unfairness perceptions display larger preference shifts as QoG rises compared to those with lower income and higher unfairness perceptions. The theoretical implication is that the main results are primarily driven by those opposed to redistribution, who must fear that redistribution is actually implemented under higher QoG.

### Robustness checks

I run several robustness checks (see the online appendix for details). I first use an alternative country-level QoG indicator from the World Bank's Worldwide Governance Indicators (WGI), which leads to the same substantial results as the main specifications (Figure A3). Second, I use an alternative version of the pay unfairness indicator that is derived from the divergence between estimated and just pay of only two professions: unskilled factory workers and shop assistants. This focus on lower-status professions is motivated by the skewed focus on high-status professions in the main version of the indicator. The main results hold, even showing substantially stronger

marginal effects (Figure A4). Third, I estimate separate OLS regressions for each country and plot country-specific slope coefficients against their QoG. This approach avoids the parametric assumption of a linear interaction effect. The results show that this assumption is reasonable (Figure A5).

Lastly, an important threat to identification originates from alternative moderator variables—that is, country-level characteristics other than QoG that shape preference heterogeneity. I estimate regressions that add further interaction terms between the drivers and additional country-level variables to the main specifications: the Gini index of income inequality, tax and transfer progressivity, GDP per capita, labor share of GDP, unemployment, the proportion of the population over 65, ethnic and religious fractionalization, social spending to GDP, and a democracy measure. The results show that the main findings are robust to this range of additional interaction terms (see Tables A4-A6).

## DISCUSSION AND CONCLUSION

This study showed that the extent to which income and unfairness perceptions are associated with redistribution preferences is considerably stronger in countries with higher government quality. The implication is that public opinion is more heterogeneous in higher-quality settings and more homogenous in lower-quality settings.

The findings suggest that QoG may also shape party competition and policymaking via the public opinion channel. Previous evidence shows that policy preferences structure individual voting behavior (Rueda and Stegmueller 2019: ch. 8) as well as party positions and policymaking (Adams et al. 2004; Engler and Zohlnhöfer 2019). Therefore, political behavior and policymaking could depend more on the economic left-right conflict under higher QoG since individual preferences become more divided, for example between the rich and poor. Conversely, lower QoG implies that the economic left-right conflict may become muted. This suggests that dominant theoretical approaches on preference formation and downstream phenomena—which were formulated with highly-developed countries in mind—are less applicable in settings with lower-quality institutions.

In line with this interpretation, Kasara and Suryanarayan (2015, 2020) show that bureaucratic capacity—a defining feature of QoG—increases voting across class lines and voter turnout of the rich. Their pivotal micro-level assumption is that "the political preferences of the rich and poor will be more likely to diverge where the state can tax income and assets" (Kasara and Suryanarayan 2020: 1097). The present study offers empirical support for this assumption.

Despite this supporting evidence, it must be noted that these implications remain speculative. First, the present paper does not analyze party positions and policymaking. Second, it remains a possibility that the uncovered correlations result from QoG influencing politics and policies, which thereafter shape public opinion. The responsiveness literature shows that public opinion is a better predictor of party positions

and policies than the other around, but the bidirectionality of the relationship is supported empirically (Page and Shapiro 1983; Wlezien and Soroka 2007).

The main limitation of this study is that the results are derived from observational data. They cannot detect causal sequencing and are prone to bias from unobserved heterogeneity. Since the findings have far-reaching implications, it will be fruitful to re-evaluate them based on designs with credible causal effect identification using (natural) experiments.

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