

# Winners and Losers in Transition: Preferences for Redistribution and Nostalgia for Communism in Eastern Europe

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## **Abstract**

I study the preferences for redistribution in Eastern Europe. After the collapse of communism c. 1990, preferences for redistribution did not decrease by 2000, and if anything, they increased. One explanation is the so-called “public values effect”: individual beliefs shape preferences for redistribution. East Europeans continue to believe that it is the responsibility of the state to provide for the poor, and hence, they prefer redistribution. Income and expected income also affect preferences for redistribution but to a lesser degree than relative income and income history. The ‘winners’ of the transition, i.e., those who are better off after the collapse of communism, prefer less redistribution.

KEYWORDS: PREFERENCES FOR REDISTRIBUTION, COMMUNISM, EASTERN EUROPE, TRANSITION

# 1 Introduction

East European countries made the transition from communism to democracy in the early 1990s. Never before in the history of modern times have so many countries conducted such a radical transformation of the political and economic institutions in such a short span of time (World Bank, 2000). It is common wisdom that East Europeans should be thrilled with democracy and a market economy. Yet surprisingly two decades after the transition, East Europeans still miss communism. Fewer people approve of the change to a market economy in 2009 than in 1991. The decline is between 3 percent for Slovakia to 34 percent for Hungary, and in most East European countries, the majority of people have an impression that life was better under communism (Pew, 2009).

Already in the 1990s, just few years after transition, East Europeans voted for pro-collectivist parties (Pejovich, 1994). This nostalgia for communism is stronger among older people. People do not miss the communist ideology but they do miss the generous welfare (Ekman and Linde, 2005). People thought that capitalism would provide more money and goods for everybody—they perceived benefits and expected good things but did not understand the costs and tradeoffs (Pejovich, 1994, Weber et al., 2003). For instance, the communist regime provided job security, subsidized housing and cheap vacations. As discussed later, the nostalgia for communism is apparent in the preferences for redistribution. Preferences for redistribution did not decrease in 1990s, and if anything, they increased.

## 2 Preferences for redistribution

What determines preferences for redistribution? There are many sources, some macro- and some micro-level. At the macro-level, some countries prefer more redistribution than others because of their culture, values and beliefs: e.g. inequality makes Europeans more unhappy than Americans (Alesina et al., 2004). Preferences for redistribution also depend on the voting system (proportional vs majoritarian) (Alesina et al., 2001, Alesina and Glaeser, 2004). At the micro-level, Corneo and Gruner (2002) find three forces driving preferences for redistribution, and I will follow this classification here:<sup>1</sup>

- *homo oeconomicus effect*: the poor prefer redistribution more than the rich
- *social rivalry effect*: relative living standard matters (e.g., if a person is richer than her neighbors she would not like to redistribute her income; on the other hand, a poorer neighbor may envy the richer neighbor and would favor redistribution)<sup>2</sup>
- *public values effect*: personal beliefs shape preferences for redistribution (e.g., if a person believes in income mobility, she opposes redistribution; if a person believes that it is the government's responsibility to take care of the poor, she prefers redistribution)

This study focuses on the public values effect. I argue that not only did communism have a big influence on public values, but that its influence is still present. Where do public values come from? Wildavsky (1987) proposes that public values come from other people. East Europeans may prefer redistribution because they lived in a highly redistributive political system where high redistribution was 'normal' (everybody preferred

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<sup>1</sup> Measures of these three forces are defined in the online appendix A at [http://aok.mooc.com/pub/condem\\_online.pdf](http://aok.mooc.com/pub/condem_online.pdf). For a literature review about preferences of redistribution see Alesina and Giuliano (2009). There is a related body of literature about the relationship between preferences for redistribution and voting, e.g. "median voter hypothesis" (e.g. Milanovic, 2000, Harms and Zink, 2003, Mach and Jackson, 2006, Milanovic, 2010). This topic is, however, beyond the scope of this study.

<sup>2</sup>There is much more to say about social rivalry and income inequality, and that is beyond the scope of this narrowly focused empirical study. Of course, social rivalry is not only about income or consumption, but also about other non-pecuniary things such as respect, admiration, fame, and so forth. Let me just mention one interesting finding. Corneo and Grüner (2000) argue that while the middle class benefits from redistribution in monetary terms, it loses in social terms: if living standards are equalized, the middle class becomes no better than the poor, and hence, the middle class may oppose redistribution.

redistribution). This is especially true for older generations, of course. But younger people are also likely to prefer redistribution—preferences for redistribution are likely to be passed down to younger generations. Preferences are path-dependent (Pierson, 2000). Van Groezen et al. (2009) find a similar path dependency in terms of preferences for pensions—people have the desire to keep things as they are—cultural background and history define the future. Public policies are path-dependent. And public policies reinforce and are reinforced by individual preferences. In Sweden, Lindbeck (1997) shows that once the welfare policies were adopted it is difficult to reduce social spending and there is a pressure on politicians to expand social welfare. But it is possible to curb social spending as recent reforms in Scandinavia show (Economist, The, 2013). In Eastern Europe, transition reforms and reductions in welfare resulted in many strikes (Przeworski, 1991). Simply speaking, people don't like changes and are risk-averse.

Individual history is also the source of preferences for redistribution. For instance, family income history determines preferences for redistribution. Persons who did not experience upward mobility, or whose family did not experience upward mobility, favor more redistribution (Piketty, 1995). East Europeans did not experience much income mobility under communism, and hence, they may prefer more redistribution. Also, the history of misfortune makes people risk averse and more willing to redistribute (Alesina and Giuliano, 2009). While the communism experience was a misfortune for East Europeans, its collapse resulted in yet another misfortune. GDP plummeted by as much as 50 percent, unemployment rose from non-existent to double digits and the communist welfare state was no longer there to help the poor (Easterlin, 2009). Big economic shocks increase preferences for redistribution. People become more conservative during uncertain times (Jost et al., 2009).

Giuliano and Spilimbergo (2009) found that those who grew up during the Great Depression have higher preferences for redistribution. In a similar fashion, those who grew up during the transition may have higher preferences for redistribution. On the other hand, if people expect upward mobility they may be against redistribution (Benabou and Ok, 2001). East Europeans may expect higher income mobility due to the market economy.

For all of the reasons mentioned above, Eastern Europe is a perfect place to study preferences for redistribution. Yet, only few studies investigate preferences for redistribution in Eastern Europe and only indirectly. Ravallion and Lokshin (2000) study preferences in Russia and Alesina and Schuendeln (2007) study preferences in East Germany. Russia and East Germany, however, are not representative of Eastern Europe. East Germany unified with West Germany and East Germans may prefer less redistribution over time because the adjustment is faster than that in other post-communist countries. Russia's transition was probably the shallowest in the region: Russia is one of the least democratic countries in Eastern Europe.

Alesina and Schuendeln (2007) find that in East Germany communism biases people's preferences towards redistribution, but after the reunification preferences are converging to those of West Germany, and calculated that the convergence would take one to two generations (before 2050). This, however, may not be the case for the other ex-communist countries. Preferences for redistribution seem to be present and if anything increasing as I will show later. There are also theoretical reasons to expect persistence of preferences for redistribution: collectivism and communalism are part of the region's philosophical heritage (Pejovich, 1994).

Income expectations influence current preferences. Ravallion and Lokshin (2000) found that well-off Russians who expect to become less well-off support redistribution. People think that whatever happens to others, e.g., income increases or decreases, will eventually happen to them, too. This is so-called 'tunnel effect':

Suppose that I drive through a two-lane tunnel, both lanes going in the same direction, and run into a serious traffic jam. No car moves in either lane as far as I can see (which is not very far). I am in the left lane and feel dejected. After a while the cars in the right lane begin to move. Naturally my spirits lift considerably, for I know the jam has been broken and that my lane's turn to move will surely come at any moment now. Even though I still sit still, I feel much better off than before because of the expectation that I shall soon be on the move. (Hirschman, quoted

in Ravallion and Lokshin, 2000, p. 88)

Closest to this study is Corneo and Gruner (2002), who compare preferences in Czechoslovakia, Eastern Germany, Poland and Russia and other non-transition economies. They find that socialist countries are more likely to support an active role of the state in reducing economic inequality, and suggest several interpretations: uncertain environment, lack of fully developed private insurance market, and egalitarian ideas inherited from the communist times. None of these studies, however, compare respondents' situation before and after the transition, and as discussed above, preferences for redistribution are affected by history. This study contributes by showing how preferences changed given the relative change of people's life from communism to democracy.

### 3 Data

This study uses a unique dataset: Consolidation of Democracy in Central and Eastern Europe 1990-2001.<sup>3</sup> This dataset contains variables that allow the study of preferences for redistribution in relation to personal experience under communism. East Europeans were surveyed twice. First, during or right after the transition and then resurveyed approximately 8 years later. Table 1 shows the sample description.<sup>4</sup>

**Table 1:** Sample sizes (nonmissing values of the dependent variable) and years of survey.

country	years	sample in period 1	sample in period 2
Belarus	1998		912
Bulgaria	1990 1999	1025	934
Czech Republic	1990 2001	640	940
Estonia	1991 2001	894	956
East Germany	1992 2000	1061	998
West Germany	2000		992
Hungary	1990 1999	1238	1071
Latvia	1998		1057
Lithuania	1991 2001	830	963
Poland	1991 2000	866	1316
Romania	1990 1998	1157	1167
Russia	1998		1401
Slovakia	1990 2001	304	1006
Slovenia	1991 1999	657	957
Ukraine	1991 1998	1591	1137
Krasnoyarsk	1991	1354	

There are several key predictors of preferences for redistribution: present, past and future income, race, gender, age, and social class (Keely and Tan, 2008, Alesina and Giuliano, 2009). Preferences for redistribution are based on respondents' assessment of whether government should reduce inequality (REDUCE INEQUALITY). Another measure of preferences is whether respondents think that there should be no income differences (NO INCOME DIFFERENCES). Variables definitions and the frequency distributions are set in the online appendix A at [http://aok.mooo.com/pub/condem\\_online.pdf](http://aok.mooo.com/pub/condem_online.pdf). For ease of interpretation, variables were recoded so that a higher value means 'more' or in case of dummy variables it means 'yes'. The main independent variables measure homo oeconomicus, social rivalry and public effects as defined above.

### 4 Results

Table 2 shows that in the late 1990s the majority of East Europeans felt that communism was a good idea just badly carried out (COMMUNISM GOOD), and in most countries the majority valued equality more than

<sup>3</sup>Data is available from Gesis (study number: ZA4054) at <http://zacat.gesis.org>.

<sup>4</sup> Some of the survey questions were asked only in one wave. Results shown below are for both waves unless indicated otherwise.

freedom (EQUALITY IMPORTANT)<sup>5</sup>.

**Table 2:** Proportions of respondents saying that communism is good, and that equality is more important than freedom.

country	year	communism good	equality important
Belarus	1998	0.59	0.46
Bulgaria	1999	0.67	0.52
Czech Republic	2001	0.60	0.42
Estonia	2001	0.59	0.53
East Germany	2000	0.81	0.63
Hungary	1999	0.76	0.64
Latvia	1998	0.53	0.39
Lithuania	2001	0.67	0.48
Poland	2000	0.60	0.43
Romania	1998	0.58	0.50
Russia	1998	0.58	0.57
Slovakia	2001	0.78	0.55
Slovenia	1999	0.78	0.56
Ukraine	1998	0.68	0.56

A sharp increase in income inequality in the aftermath of the transition may explain why equality is more valued than freedom. Table 3 shows changes in inequality. Income inequality increased in all East European countries in the 1990s, and especially in Russia, where it doubled between 1988 and 1994. Inequality increased mostly due to trade liberalization, technological and organizational change (Aghion and Commander, 2003).

**Table 3:** Change in inequality. Source: Hellman (1998).

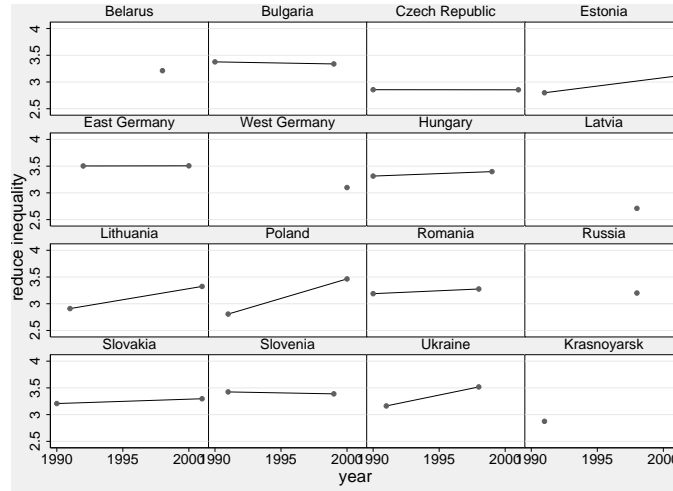
country	% change in Gini Index 1988-1994	change in income share, top quintile
Poland	0.19	3.43
Slovenia	0.17	3.76
Hungary	0.10	1.07
Czech Republic	0.42	5.77
Slovakia	0.00	-0.10
Estonia	0.70	13.61
Bulgaria	0.48	7.78
Latvia	0.17	4.01
Lithuania	0.57	9.75
Albania	n.a.	n.a.
Romania	0.26	4.08
Kyrgyzstan	0.35	n.a.
Russia	1.00	20.02
Moldova	0.50	8.89
Kazakhstan	0.27	n.a.
Turkmenistan	0.38	n.a.
Ukraine	0.43	n.a.
Uzbekistan	0.18	n.a.
Belarus	0.22	n.a.

What happened to preferences for redistribution? Below I summarize the survey questions that measure preferences for redistribution, and then show how the preferences for redistribution differ by the socio-economic indicators.<sup>6</sup> Over the 1990s most East Europeans began to think that the government should reduce income differences (figure 1) and that there should be no income differences (figure 2)—the preferences for redistribution actually increased.<sup>7</sup>

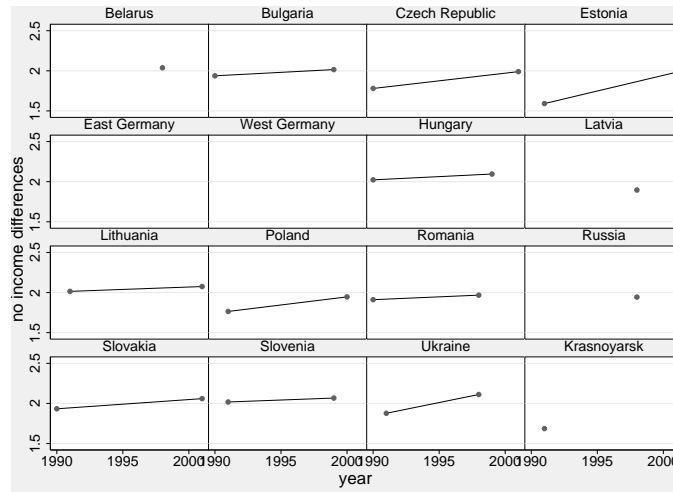
<sup>5</sup>West Germany is not shown—there are fewer than 30 observations per category.

<sup>6</sup>Many graphs are shown in the online appendix at [http://aok.mooo.com/pub/condem\\_online.pdf](http://aok.mooo.com/pub/condem_online.pdf).

<sup>7</sup>Again, definitions of variables are shown in online appendix A.



**Figure 1:** REDUCE INEQUALITY: “On the whole do you think it should or should not be the government’s responsibility to... Reduce income differences between the rich and poor.”



**Figure 2:** NO INCOME DIFFERENCES: “Considering the money people earn from their work, do you think that there should be large, some, or no differences?”

Regression models follow. All models are estimated with country dummies to account for heterogeneity, especially in terms of different social transfers across countries. While the dependent variable (reduce inequality) is ordinal, results do not differ substantially between ordered logit and OLS and I use OLS. All models include country dummies and are estimated with country clustered standard errors to account for the autocorrelation within countries. Results are set down in table 4.<sup>8</sup>

I first test the homo oeconomicus hypothesis. In column a1 income has a negative effect on preferences for redistribution—rich people do not want to redistribute income. Controlling for income, the unemployed do

<sup>8</sup>I report OLS results for ease of interpretation; they are not substantively different from discrete models reported as well.

not favor redistribution more than others. Column a2 adds the prediction of earnings in next year<sup>9</sup>—people who expect to earn more in the future are less likely to favor redistribution. This is the “tunnel effect” observed by Ravallion and Lokshin (2000) in Russia. In short, East Europeans are rational. Columns a3 and a4 test social rivalry effect. Those with an income above the average and those who are better-off than their neighbors prefer less redistribution.

Do public values forces drive preferences for redistribution in addition to homo oeconomicus and social rivalry forces? Column a5 shows that persons who are now better-off than during the last five years of communism, are less supportive of redistribution. This indicates that the ‘winners’ of the transition do not want to redistribute to the ‘losers’. In column a6, those who think that the country is better off now than during the last five years of communism, are also less supportive of redistribution. Public values variables attenuate slope for homo oeconomicus variables—coefficients decrease by half and are barely significant. Public values do matter in Eastern Europe—they strongly predict preferences for redistribution.

Have the forces driving preferences for redistribution changed in the late 1990s relative to early 1990s? Column a7 shows interactions with the second wave dummy. Those who think that life is better than under communism (COUNTRY: COMMUNIST REGIME) are against redistribution after the collapse of the communism (in the second wave).<sup>10</sup> The effect of neighbors’ income on preferences for redistribution is only significant in the second wave. This is consistent with Corneo and Gruner (2002) who found no social rivalry effect in Eastern Europe in 1992. Immediately after the transition there was much turmoil, and people were rather more concerned with their own fate than income comparisons. Corneo and Gruner (2002) speculate that there may have existed ‘class altruism’, that is the willingness to provide support to blue-collar workers.

How about period effects? In column a1 second period dummy is positive but not significant. In all subsequent specifications it drops out because it is collinear with variables available in one wave only. The model in column a7 drops PERSON: COMMUNIST REGIME and INCOME NEXT YEAR, which are available in the second wave only, and second period dummy is positive and significant. If anything, East Europeans became more in favor of redistribution in the 1990s.

**Table 4:** OLS regressions of preferences for redistribution (reduce inequality).

Variable	a1	a2	a3	a4	a5	a6	a7
income	-0.05***	-0.05***	-0.03***	-0.03***	-0.02**	-0.02*	-0.02**
income next year		-0.11***	-0.10***	-0.09***	-0.06**	-0.05*	
income vs average			-0.10***	-0.08***	-0.05**	-0.06**	-0.09***
person vs neighbors				-0.12***	-0.11***	-0.11***	0.00
person vs neighbors *							-0.12**
2nd wave							
person: now vs communist regime					-0.14***	-0.11***	
country: now vs communist regime						-0.06***	-0.04***
country: now vs communist regime * 2nd wave							-0.07***
2nd wave	0.02						0.37***
social class	-0.10***	-0.10***	-0.09***	-0.08***	-0.06***	-0.06***	-0.07***
Age (in years)	0.02***	0.01***	0.02***	0.01***	0.01**	0.01**	0.01***
age2	-0.00***	-0.00*	-0.00**	-0.00*	-0.00	-0.00	-0.00***
male	-0.16***	-0.12***	-0.11***	-0.10***	-0.10***	-0.10***	-0.15***
married/living together	0.04*	0.03	0.03	0.04	0.07***	0.06**	0.05*
unemployed	-0.01	0.03	0.02	0.02	0.02	0.03	-0.01
education	-0.14***	-0.10***	-0.09***	-0.09***	-0.09***	-0.09***	-0.14***
Constant	3.72***	3.86***	3.86***	4.03***	4.18***	4.19***	3.74***
N	15956	10537	10239	9588	8457	8000	12755

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

NOTE: The dependent variable, reduce inequality is on scale from 1 to 4, the higher value meaning more support for reduction of inequality. Standard errors are robust and clustered on country. For variables’ definitions and descriptive statistics see appendix A at [http://aok.mooc.com/pub/condem\\_online.pdf](http://aok.mooc.com/pub/condem_online.pdf). Collinearity is not strong—only age and age squared display a variance inflation factor (VIF) of over 20.

<sup>9</sup>The different types of income may be correlated. But the problem of multicollinearity is like that of “micronumerosity”: standard errors are bigger (Goldberger, 1991). Hence, if there was no collinearity, the results would be even stronger.

<sup>10</sup>PERSON: COMMUNIST REGIME is available only in one wave.

As a robustness check, I also run models with political affiliation (left-right)—results are not substantially different. Results are reported separately in the online appendix ([http://aok.mooo.com/pub/condem\\_online.pdf](http://aok.mooo.com/pub/condem_online.pdf)). These additional models also include evaluation of communism (COMMUNISM GOOD) and assessment of the importance of equality vs freedom (EQUALITY IMPORTANT). People who think that communism is good favor redistribution. This is an important result: nostalgia for communism predicts higher preferences for redistribution. Arguably people miss the redistributive policies of the communism regime (online appendix C). Again, models were also estimated as ordinal logit and the results are similar (online appendix C). Finally the models were rerun with NO INCOME DIFFERENCES as a dependent variable, and again results are not substantively different (online appendix C).

A useful way to interpret the results in a substantive way is to recode the ordinal dependent variable REDUCE INEQUALITY into binary variable, where responses are coded 1 for those who think that “definitely” and “probably” government should reduce income differences and 0 for those who “definitely” and “probably” think that government should not reduce income differences. The main variable of interest, PERSON: COMMUNIST REGIME, can be also recoded into two dummy variables: SAME for those whose situation is the same and BETTER for those whose situation improved (WORSE is the base case). Table 5 reports odds ratios for these logit models.

**Table 5:** Logit regressions of preferences for redistribution(reduce inequality; binary) , odds ratios reported.

Variable	11	12	13	14	15	16	17
income	0.90***	0.89***	0.93***	0.93***	0.96	0.96	0.97
income next year		0.78***	0.80***	0.81***	0.88*	0.89	
income vs average			0.80***	0.85***	0.90	0.88*	0.84***
person vs neighbors				0.77***	0.78***	0.78***	1.08
person vs neighbors * 2nd wave							0.69***
same					0.78***	0.81**	
better					0.49***	0.55***	
country: now vs communist regime						0.88**	1.01
country: now vs communist regime * 2nd wave							0.76***
2nd wave	1.10						3.76***
social class	0.79***	0.80***	0.82***	0.84***	0.86***	0.87***	0.83***
Age (in years)	1.03***	1.03***	1.04***	1.03***	1.02*	1.02**	1.03***
age2	1.00***	1.00	1.00*	1.00*	1.00	1.00	1.00***
male	0.68***	0.73***	0.76***	0.77***	0.77***	0.78***	0.70***
married/living together	1.14**	1.12*	1.12*	1.14*	1.22***	1.20***	1.16**
unemployed	1.06	1.13	1.13	1.12	1.13	1.18**	1.13
education	0.72***	0.77***	0.79***	0.78***	0.75***	0.76***	0.72***
Constant	13.93***	22.87***	21.00***	30.02***	39.72***	40.44***	10.83***
N	15956	10537	10239	9588	8457	8000	12755

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

NOTE: The dependent variable, reduce inequality is binary. 1 means support for reduction of inequality; 0 means lack of support. Standard errors are robust and clustered on country. For variables' definitions and descriptive statistics see appendix A at [http://aok.mooo.com/pub/condem\\_online.pdf](http://aok.mooo.com/pub/condem_online.pdf).

Those whose situation stayed the same relative to communism (SAME) are about 20 percent less likely to favor redistribution than those whose situation got worse. Those whose situation improved relative to communism (BETTER) are about 50 % less likely to favor redistribution than those whose situation got worse. This is a very substantive difference.<sup>11</sup>

How about nostalgia for communism? Are there any differences concerning communism and equality among those who are better-off and worse-off ? Table 6 shows results.<sup>12</sup> Clearly, opinions about “communism goodness” are affected by change in personal situation. People who are doing worse after the collapse of the communism are almost twice as likely to think that communism was a good idea than those who are doing

<sup>11</sup>Similarly, Mach and Jackson (2006) found that in Poland preferences for redistribution increased on average, but the more successful Poles preferred less redistribution.

<sup>12</sup>West Germany is not shown—there are fewer than 30 observations per category.



better.<sup>13</sup> Similarly, those who are doing worse after the transition are almost twice as likely to value more equality than freedom as compared to those who are doing better.<sup>14</sup> 'Winners' and 'losers' think differently about redistribution.

**Table 6:** Proportions of respondents saying that communism is good, and that equality is more important than freedom by change in personal situation.

country	year	communism good			equality important		
		worse	same	better	worse	same	better
Belarus	1998	0.63	0.59	0.53	0.52	0.55	0.33
Bulgaria	1999	0.80	0.47	0.42	0.60	0.37	0.32
Czech Republic	2001	0.83	0.65	0.39	0.66	0.46	0.22
Estonia	2001	0.70	0.63	0.44	0.68	0.55	0.37
East Germany	2000	0.92	0.89	0.76	0.72	0.71	0.58
Hungary	1999	0.85	0.74	0.61	0.73	0.61	0.46
Latvia	1998	0.64	0.46	0.37	0.47	0.37	0.25
Lithuania	2001	0.78	0.51	0.49	0.56	0.40	0.36
Poland	2000	0.72	0.58	0.41	0.51	0.42	0.30
Romania	1998	0.69	0.56	0.42	0.55	0.55	0.41
Russia	1998	0.56	0.64	0.39	0.53	0.65	0.31
Slovakia	2001	0.89	0.78	0.51	0.66	0.53	0.32
Slovenia	1999	0.88	0.72	0.66	0.65	0.56	0.42
Ukraine	1998	0.71	0.49	0.53	0.58	0.48	0.50

## 5 Conclusion and discussion

Preferences for redistribution are not declining in Eastern Europe, and if anything, they are increasing. This pattern holds for the whole region, and it is a surprising result. One would expect to see more “free market thinking,” that is, less support for government intervention and more support for individual enterprise. After all, that’s what East Europeans were striving for during the decades under the communist regime.

Income matters for preferences for redistribution—the rich prefer not to redistribute. Homo oeconomicus force is also present—relative income to the average and to the neighbors matter more for preferences for redistribution than current income and income expectations. Public values effect is the strongest—people who are better-off as compared to the last five years of communism are least favorable to redistribution. That is, the ‘winners’ of transition do not want to redistribute to the ‘losers’. This is the major conclusion from this study—East Europeans view the welfare through the lenses of their own success.

Preferences for redistribution are not only of theoretical interest, but they also have major practical implications for policy making. For instance, politicians respond to voters’ preferences, and redistribution is a major political issue. Taxation is another public policy issue that is affected by preferences for redistribution. For instance, there may be a vicious cycle resulting in tax avoidance in Eastern Europe. Because preferences for redistribution are persistent, East Europeans still want the government to redistribute as it used to do during the communist times. In short, East Europeans are not satisfied with low redistribution. There is evidence that if citizens are not satisfied with government services, they will avoid taxes (Hanousek and Palda, 2004). Tax avoidance results in less money for redistribution. Hence, the vicious cycle. Finally, preferences for redistribution are relevant to the study of wellbeing and welfare in general. As mentioned earlier, income inequality has increased in Eastern Europe and preferences for redistribution are persistently high. In the light of increased income inequality, high preferences for redistribution are not necessarily irrational—redistribution arguably reduces income differences, and there is evidence that inequality depresses happiness

<sup>13</sup>Russia is an interesting case. Russians, whose situation did not change are more in favor of communism than those whose situation got worse. The smallest difference between worse-off and better-off is observed in Russia and Belarus. These are the countries that arguably changed the least.

<sup>14</sup>The smallest differences between worse-off and those whose situation did not change are observed again in Russia, Belarus and Romania.

(Blanchflower and Oswald, 2003, Graham and Felton, 2006, Winkelmann and Winkelmann, 2010, Bjørnskov et al., 2013). Hence, redistribution may bring about more happiness if it reduces effectively inequalities and provide the safety that people need. On the other hand, income redistribution may reduce economic growth and people are happier in wealthier nations than in welfare nations (Veenhoven and Ehrhardt, 1995). Also, excessive welfare hampers economic growth, creates dependency culture, decrease productivity and innovation (Alesina and Glaeser, 2004). The point is that the results of this study are of potential interest to scholars and practitioners who work in other areas that are related to broadly understood welfare and wellbeing.

Last, but not least, Europe is in the process of economic and political integration. Europe has already centralized its monetary policy by establishing common currency and the Central European Bank, and is also trying to make its fiscal policy more uniform.<sup>15</sup> Preferences affect voting and assuming that representative democracy works well, they will also affect political leadership and actual taxation/redistribution. From government's perspective, preferences for redistribution will affect actual implementation of many policies that deal with welfare. How preferences for redistribution can be changed and unified is left for the future research. The goal of this study was to document persistence of the preferences, and pinpoint social groups that are most likely to prefer more redistribution than others.

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<sup>15</sup>A related point is that of cross-country redistribution. For instance, during the current economic downturn, redistribution across countries is a major public issue. Greece and other South European Countries need the redistribution from Germany and other North Western countries.

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