

SOCIAL CONFLICT AND REDISTRIBUTIVE PREFERENCES AMONG RICH AND POOR: TESTING THE HYPOTHESIS OF ACEMOGLU AND ROBINSON

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Acemoglu and Robinson (2000) provide their hypothesis that the political elite extend the franchise to avoid revolution or social unrest. For the purpose of empirically testing this hypothesis, the present paper explores how the degree of conflict between rich and poor people is associated with individual preferences for income redistribution and perceptions regarding income differences. This paper used cross-country individual-level data covering 26 countries. The key findings are as follows: (1) an individual is more likely to prefer income redistribution policy in countries where people perceive conflict between rich and poor to be high; (2) an individual is more likely to consider the income difference to be too large in countries where people perceive conflict between rich and poor to be high; and (3) after dividing the sample into high- and low-income earners, the above two findings are only obtained for high-income earners and not for low-income earners.

JEL classification codes: D63, D74, H23

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I. Introduction

The historical transformation from an oligarchy to a democracy has been analyzed from an economic viewpoint in a number of studies (Acemoglu and Robinson 2000; North et al. 2009). According to the seminal work of Acemoglu and Robinson

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(2000), the main reason for the transformation is that “the elite extended the franchise in order to avoid a revolution or social unrest” (Acemoglu and Robinson 2000: 1168).¹ Today, more countries than ever are undergoing democratization. However, income inequality continues to exist and thus there are rich and poor groups within a country. Therefore, even in modern democratic societies, social unrest caused by inequality appears to threaten the position of the wealthy;² as a result, the conflict between rich and poor becomes a subject of public attention. It is therefore worthwhile to empirically investigate the mechanisms by which to avoid such conflict by focusing on income redistribution in the 21st century.³

Acemoglu and Robinson (2000) provided a theoretical model suggesting that political elite-led constitutional reforms that lead to redistributive programs via extended voting rights are strategically motivated and are meant to prevent widespread social unrest and revolution.⁴ This implies that the preference for redistribution among the rich is related to their perceptions of the degree of conflict between rich and poor, and not to the corresponding perceptions of the poor themselves. Furthermore, social conflict possibly leads people to consider income inequality to be higher than the acceptable level. Accordingly, social conflict is thought to influence perceived income differences among groups and individuals’ preferences for a redistribution policy.⁵ Because researchers have not yet empirically scrutinized this mechanism, this paper aims to test these

¹ As argued by North et al. (2009: 142–147), when analyzing political transformation it is important to consider not only income redistribution but also the provision of public goods that are complementary to the market. However, the key dependent variables used in the present study, such as preference for redistribution, cannot be used to test the hypothesis in North et al. (2009).

² Between 1990 and 2000 in Rwanda, as an outcome of various conflicts including civil war and genocide, many people lost their lands and homes, especially those who were land-rich before the conflict. Wealthier provinces experienced lower, even negative, economic growth after the conflict (Justino and Verwimp 2013). This suggests that a lack of modern democracy can result in the rich losing their wealth. To avoid such catastrophes, rich individuals have an incentive to foster democracy.

³ There are number of theoretical studies concerning democracy and conflict (e.g., Przeworski 2005; Aslaksen and Torvik 2006; Zhaohui 2007; Adachi and Nakamura 2008).

⁴ Meltzer and Richard (1981) suggested that if the income distribution is skewed, the median voter theorem enables low-income earners to redistribute the income of high-income earners to themselves. Therefore, the extension of franchise changes the economic position of decisive voters in the income redistribution (Meltzer and Richard 1981). Acemoglu and Robinson (2000) based their study on the model in Meltzer and Richard (1981).

⁵ Voors et al. (2012) conducted a field experiment and found that exposure to conflict impacts on perceptions such as discount rates. Furthermore, they provided evidence that those who experienced conflict display altruistic behavior towards their neighbors.

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