Who to Help?
Trust and Preferences over Redistribution in Russia

Ekaterina Borisova, Andrei Govorun, Denis Ivanov, Irina Levina

International Center for the Study of Institutions and Development (ICSID))

Plan of the Presentation

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II. Theory and hypotheses

III. Inequality and redistribution policy in Russia

IV. Data

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Topic & Motivation

O We study **connection between generalized trust and preferences over redistribution to different groups of people**.

Topic & Motivation (cont.)

1. **We know that trust is very important but know little about precise mechanisms of influence**. Preferences over redistribution to target groups could be such a channel.

2. Many results are based upon datasets provided by World Values Survey (WVS), European Values Study (EVS) or General Social Survey (GSS) and thereby reflect relationships for a whole world or for a limited (mostly developed) set of countries. **It's important to understand whether transition and developing countries have their own patterns and mechanisms of trust influence or not.**

3. It's already documented that preferences over redistribution are connected with trust and social capital. **But redistribution target groups are overlooked.**

Theory

Our work is based upon three strands of research:

1. **Importance of social capital for different economic and social outcomes** (here we add by investigating of one of the potential mechanisms of trust influence)

Theory (cont.)

2. **Determinants of preferences over redistribution** (here we add by investigating different groups of people who government should help)

○ Fairness and altruism (Alesina, Angeletos, 2005, Luttens, Valfort, 2012, Fong et al., 2006);

○ Cultural values (Luttmer, Singhal, 2011);

○ Historic experience (Alesina, Giuliano, 2011);

○ Public values (Corneo, Gruner, 2002);

○ Political views (Alesina, Giuliano, 2011);

○ **Trust and civicness** (Algan et al., 2014, Daniele, Geys, 2015, Bergh, Bjørnskov, 2014, Bjørnskov, Svendsen, 2013);

○ **Social norms** (Sabatini et al., 2014);

○ **Community participation** (Yamamura, 2012)

Theoretical argument for trust papers: higher trust leads to less perceived risk of free-riding and cheating on social benefits among high-trust individuals

Theory (cont.)

3. **Welfare state regimes and social capital**

   - Esping-Andersen (1990): targeting is important; three types of welfare state regimes (liberal (USA), conservative (continental Europe), and social-democratic (Nordic countries))

   - Relationship between welfare state regimes and social capital, with the latter as the dependent variable (Kääriäinen, Lehtonen, 2006; Oorschot, Arts, 2005)

Hypothesis

In an environment with higher trust people may prefer *less* government redistribution to poor, homeless and others in difficult situations and *more* government support for distinguished people.

"Need" vs. "merit" criteria

Inequality and Redistribution Policy in Russia

Several parameters of a welfare system could matter for the preferences over redistribution:

i. **Share of wealth being actually redistributed**

    o   Russian welfare system has relatively low funding (social expenditures' share in GDP in 2010 was only 14.2%, OECD average is 22%)

    o   There is significant variation among regions in per capita social spending. In 2011 the minimum was 947 rubles in Nenetskiy autonomous okrug and the maximum was 233 thousand rubles in Moscow.

Inequality and Redistribution Policy in Russia

ii. **Existing support of different groups of people**

- Social welfare system Inherited from USSR where there were two main objectives: to reward meritorious citizens (such as WWII veterans, Chernobyl nuclear disaster responders, etc.) and to provide basic social insurance like pensions and free healthcare.

- Difficulties in targeting resources towards those who are actually in need.

Inequality and Redistribution Policy in Russia (cont.)

iii. **Current level of inequality**

- Russia's Gini index was 41.7 in 2011.
- Income gap in Russia is wider than in most European countries, including those of Central and Eastern Europe.
- As opposed to many developed countries, in Russia there are also great contrasts in income between regions.

Data

0 Survey data for about 34000 individuals that were conducted by a large Russian Public Opinion Fund in 2007, 2008, 2009 and 2011
  0 People's preferences for redistribution to target groups
  0 Interpersonal trust, norms of behavior
  0 A rich set of individual level control variables (gender, age, wealth, occupation, religion, nationality, etc.) and variables that are used as regional controls (other social capital variables)
0 Official statistics is used to provide proper regional level controls.
  0 GRP per capita
  0 Social expenditures
  0 Share of people below subsistence level/Gini index
  0 Ethnic fractionalization index
  0 Urbanization
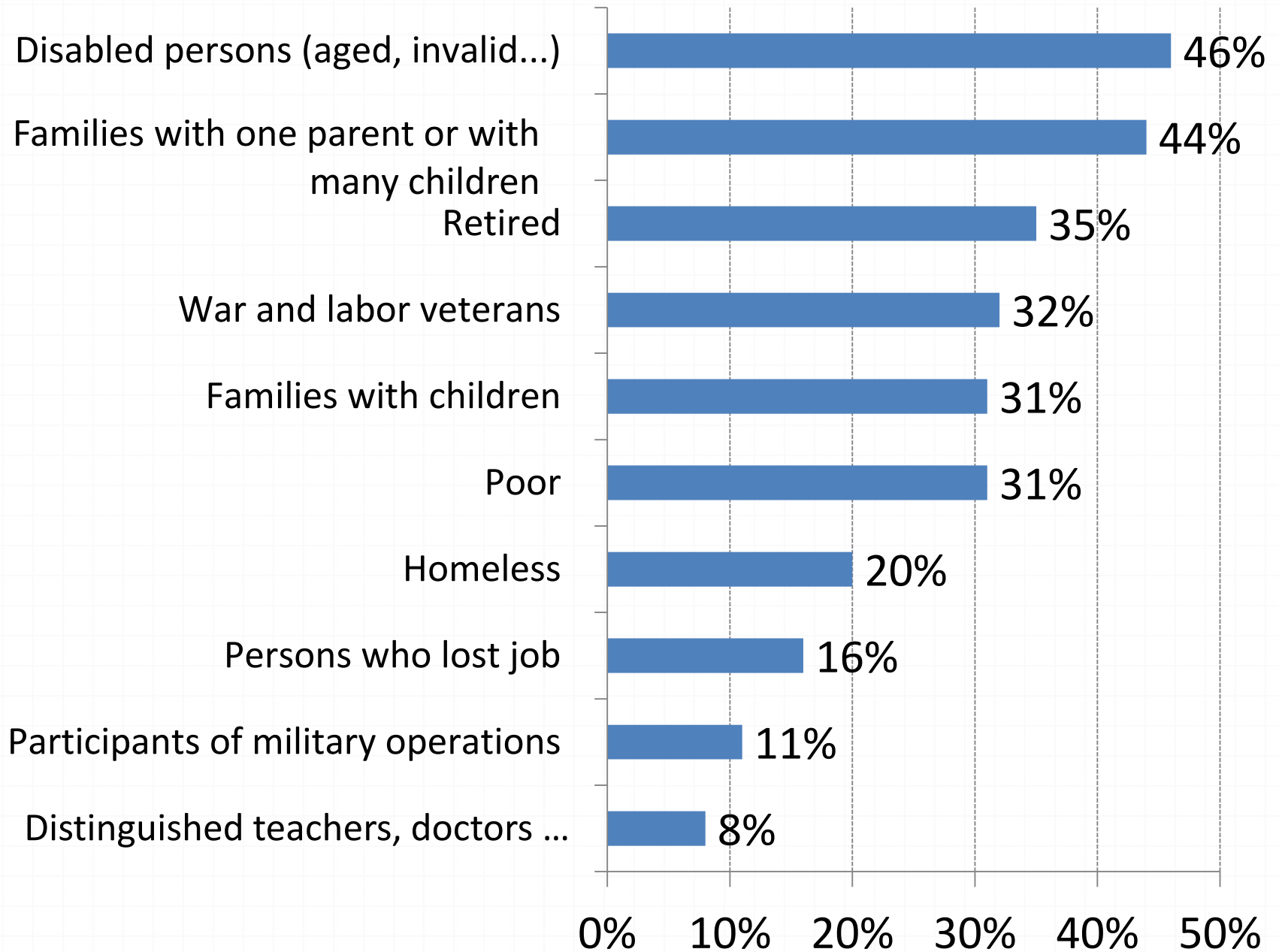0 Survey measures of the quality of institutions
  0 Corruption perceptions index

Data (cont.)

Question for redistribution to target groups:

"To who, in your opinion, government should help first: poor, homeless, labor and war veterans, combat operations participants, distinguished teachers and doctors, families with children, one-parent families and families with many children, disabled, pensioners, unemployed?" **(2011)**

Question for trust is a general one:

"Generally speaking, would you say that most people can be trusted or that you need to be very careful in dealing with people?" with 1 for "Most people can be trusted" and 0 for "Can't be too careful". **(2007, 2008, 2009)**

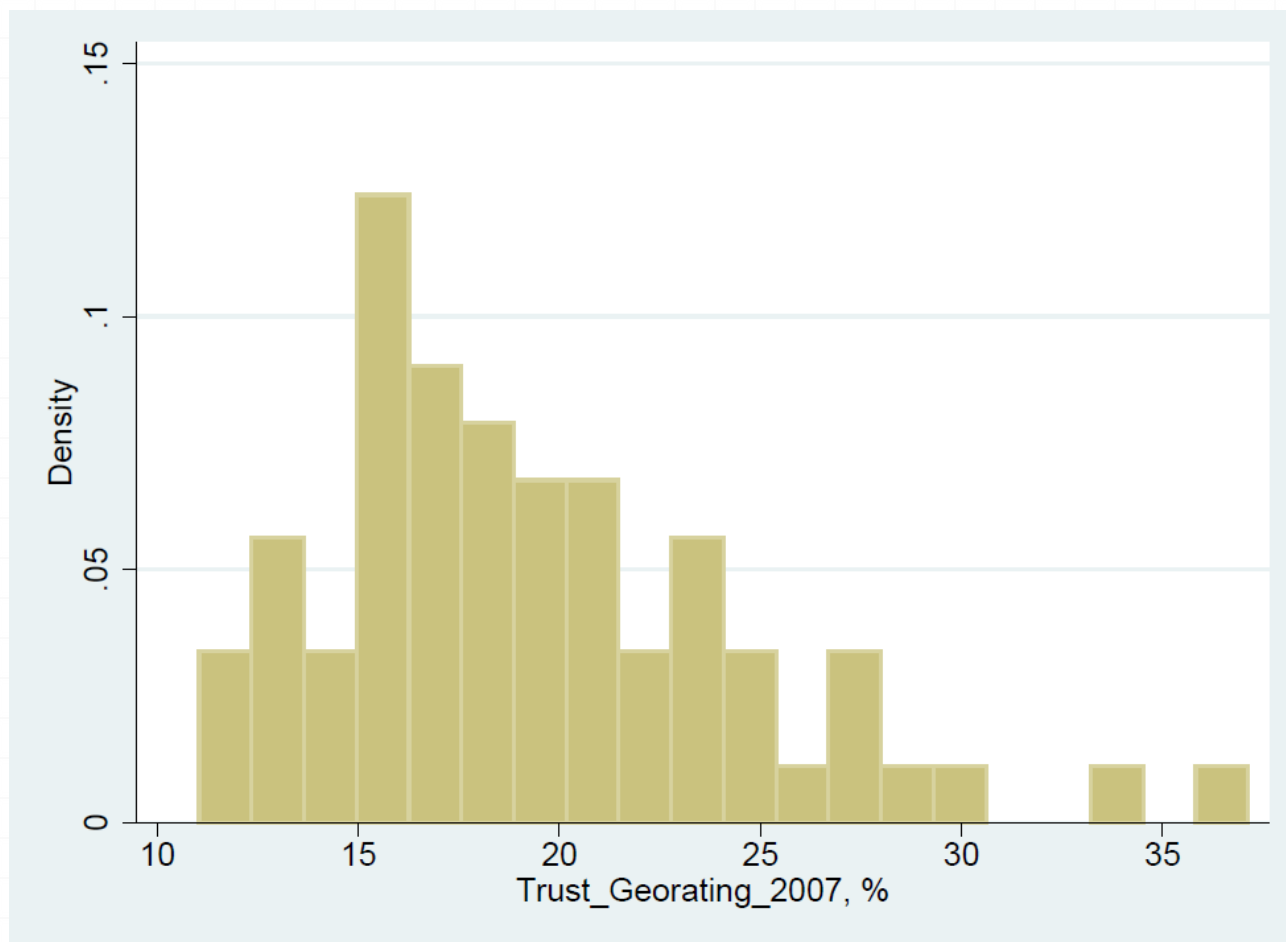# Redistribution to Different Groups of People

An index on a scale from -3 to +3:

Positive points for:

- War and labor veterans
- Distinguished teachers, distinguished doctors, and other distinguished workers
- Retired
- Participants of military operations
- Disabled persons (aged, invalid, orphans)

Negative points for:

- Poor
- Homeless
- Families with one parent and families with many children
- Persons who lost job
- Families with children

Trust in Russian regions

Empirical Model

$$RedistributionPreferences_{ij} = \alpha + \beta Trust_j + \gamma IndividualControls_{ij} +$$
$$+\delta RegionalControls_j + \varepsilon_{ij}$$

$$(1)$$

$$Trust = \alpha Gender + \beta Age + \gamma Age^2 + \delta Education + \phi Wealth + \eta Nationality + \lambda CityType +$$
$$+\mu RegionalDummies + \varepsilon$$

$$(2)$$

0 (1) is for preferences for redistribution in 2011
0 We use linear and logistic regression models
0 Generally there is a lag between our dependent and independent variables

Results: Redistribution to Different Groups

	Redistribution index							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Trust	1.758***	1.712***	0.610	0.609	1.468*	1.422*	0.580	0.587
	(0.615)	(0.623)	(0.959)	(0.922)	(0.762)	(0.733)	(0.977)	(0.919)
Log GRP per capita	0.291***	0.324***	0.295***	0.316**	0.303***	0.333***	0.300***	0.321**
	(0.102)	(0.121)	(0.101)	(0.121)	(0.111)	(0.124)	(0.110)	(0.127)
Gini coefficient		-0.943		-0.779		-1.111		-0.876
		(2.019)		(1.923)		(2.036)		(1.967)
Urbanization	0.529	0.523	0.434	0.423	0.556	0.537	0.454	0.440
	(0.443)	(0.428)	(0.406)	(0.395)	(0.425)	(0.410)	(0.382)	(0.370)
Poverty	-0.001		0.001		0.001		0.001	
	(0.011)		(0.011)		(0.011)		(0.012)	
Solidarity			1.302	1.276			1.189	1.142
			(0.922)	(0.906)			(0.896)	(0.897)
Perception of luck					0.403	0.424	0.180	0.202
					(0.594)	(0.579)	(0.581)	(0.569)
Corruption	0.425*	0.432*	0.464*	0.462*	0.457*	0.455*	0.475*	0.470*
	(0.255)	(0.248)	(0.255)	(0.250)	(0.246)	(0.242)	(0.248)	(0.244)
Individual level controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	26,130	26,130	26,130	26,130	26,130	26,130	26,130	26,130
R-squared	0.049	0.049	0.050	0.050	0.049	0.049	0.050	0.050

Robust standard errors in parentheses
*** $p<0.01$, ** $p<0.05$, * $p<0.1$

Main Results

0 Higher levels of regional trust lead to more support for redistribution in favor of those who performed services for their homeland (war veterans, distinguished teachers, doctors, etc.)

0 Less support is found for people in complex life situations who still are able to work (poor, homeless, having many children)

Robust Checks

0 Trust in 2007, 2008 and 2009

0 Additional regional level controls including social capital variables

0 Alternative groups for the redistribution index

Main Problems and Next Steps

Explanations of the mechanisms for the connection between trust and preferences over redistribution to different groups of people

- We are searching for the empirical evidence of the possible mechanisms of trust influence on redistribution target groups.

- Same estimations for the Life in Transition Survey could help here. If results will be country specific the proposed mechanism could be country specific as well.