

Submissive or Intolerable?

-- The Impact of Unequal Experiences on Redistributive Preferences Ring

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Abstract

"Experienced inequality and preferences for redistribution", a paper accepted by the *Journal of Public Economics* in September 2018, examines the impact of people's experience of inequality on redistribution preferences using social survey data from Europe and the United States. This article reproduces the article with the data of China CGSS. The redistribution preference of the masses is the basis for the reform of redistribution, and it is very important to study the factors affecting the redistribution preference of the masses. Based on the data of CGSS (China General Social Survey), this paper studies the impact of people's unequal experience in the formative years on people's redistribution preferences, and conducts a series of robustness and channel tests and treatments. The results show that unequal experiences can increase people's tolerance for inequality, reduce people's redistributive preferences, and increase resistance to future redistributive reforms. Therefore, it is necessary for the government to carry out redistributive reforms as quickly as possible to narrow the income gap and avoid further resistance to reforms in the future.

Keywords

Redistribution; Unequal experience; CGSS.

1. INTRODUCTION

Redistribution and common prosperity are important topics on the road of building socialism with Chinese characteristics. People's redistribution tendency and willingness are the basis of redistribution and affect the success or failure of income distribution reform (Yang Xiaolan, Zhou Ye'an, 2017). Studies have shown that the redistribution policy that conforms to the redistribution preferences of social members can achieve Pareto improvement (Durante et al., 2014). Therefore, it is crucial to study the factors that affect redistribution intention. At present, research at home and abroad mainly starts from two perspectives: one is the micro perspective, which focuses on the personal motivation and constraints of redistribution preferences, such as self-interest (Pan Chunyang, He Lixin, 2011), fairness (Xu Jianbin, Liu Hua, 2014), Cooperation beliefs (Lian Hongquan et al., 2016), etc.; the second is a macro perspective, focusing on existing regional inequality (Lubker, 2007; Alesina & Giuliano, 2009), government welfare expenditures (Moene et al., 2003), etc. and people Redistribution of preference linkages. However, there is still some room for improvement in the current research: most literatures attribute differences in redistribution preferences to psychological motivations, focusing on different or the same policy responses to such preference heterogeneity in different contexts (Lian Hongquan et al., 2016 ; Chen Yefeng et al., 2011; Garrod, 2009), but little literature has focused on the pervasive, cross-context effects of personal traits, such as unique past experiences, on their preferences. Most obviously, Cappelen et al. (2016) found through experiments that Americans are more

elitist than Scandinavians, prefer efficiency in redistribution, and pay more attention to the source of inequality, and this kind of inter-country What is the source of the existing differences in redistribution preferences, few studies have answered.

In response to this challenge, this paper proposes that past experiences of inequality are likely to influence people's current redistributive preferences. The study by Giuliano et al. (2014) is the first to look at the experience of the formative years and find that the experience of past recessions increases the preference for redistribution. The research on the "reference point" in psychology has found that past experiences can form a reference to the present, which in turn affects the perception of existing things (Abel, 1990; Nisbett and Ross, 1980). In this sense, past experiences of inequality can either increase (Coppock and Green, 2016) or decrease (Weber et al., 1993) people's tolerance for inequality. Furthermore, people's acceptance of inequality affects their redistribution preferences (Almas et al., 2011; Capplen et al., 2007; Fehr and Schmidt, 1999). Thus, people's experiences of inequality may influence their redistributive preferences. At the same time, considering that China's Gini coefficient has always been at the forefront of the world, and the income gap is constantly widening, it is of great significance to study this issue. If it is proved that people's past experience of inequality will reduce people's preference for redistribution, it means that the resistance to China's future income reform will increase with the current level of inequality, and it will become more and more difficult to achieve income equality.

Therefore, this article attempts to clarify this issue and explore the impact of people's past experiences of inequality on redistributive preferences. At the same time, studies have shown that the age of 18-25 is an important period for the formation of values in a person's life (also known as impressionable years), and experiences in this period have a more profound and lasting impact on people than experiences in other periods (Giuliano and Spilimbergo, 2014; Krosnick and Alwin, 1989; Mannheim, 1970). Therefore, this paper focuses on the impact of unequal experiences between the ages of 18 and 25 on people's redistribution preferences, and concludes that past unequal experiences reduce people's redistribution preferences.

This paper mainly uses the CGSS (China General Social Survey) to obtain data on people's redistribution preferences. The survey started in 2003. This paper mainly uses data from 2003, 05, 06, 08, 13, and 15 to conduct research, and selects the question "Do you think more tax should be collected from the poor to help the poor?" People's redistributive preferences. At the same time, this study obtained other data on personal characteristics, personal political enthusiasm and other data through CGSS, and tested the robustness and channels in the following sections.

Through WID (World Inequality Database), etc., this paper obtains data about people's unequal experience and other macro experiences, and constructs variables of unequal experience. In order to ensure the scientificity of the results, this paper conducts a series of robustness tests, such as the construction method of changing unequal experience and the measurement year of changing unequal experience, etc., which proves that the research results have strong robustness. At the same time, this paper explores potential channels of action, such as the experience of inequality reduces people's trust in government, which in turn reduces people's preference for redistribution, and discusses the endogeneity of the study.

The research method of this paper mainly draws on the research of Giuliano (2004) and Christopher et al. (2018), among which the data processing method and robustness test are all used for reference. Compared with the existing literature, the main contributions of this paper are as follows: First, continue to expand the scope of research on redistribution preference, and learn from the experience and theory of psychology to explore the factors that affect redistribution preference. The second is to find a new way, skip the redistributive paradox, and try to explore the impact of past inequality on people's redistributive preferences. Third, based

on China's national conditions, predicting the resistance that China's income distribution reform will face in the future has important reference significance for income distribution reform.

1.1. Related Literature

The study of the formation of people's attitudes and preferences through past experience first began in psychology. Psychologists believe that young people are more sensitive to the external environment and are more easily influenced by these experiences (cited in Giuliano et al., 2009). Economists later elaborated on this. In their 2011 and 2013 studies, Malmendier and Nagel established and further elaborated the "experience learning model", arguing that the generation that experienced the Great Recession would be less involved in securities markets and less willing to take financial risks. This claim is supported by Sargent et al. (2008) and Piketty (1995). The former believes that macroeconomic shocks distort people's belief-twisting events, and that the Great Depression has produced a Depression Generation; the latter believes that shocks change people's perceptions of the relative importance of luck and hard work, and these two This element, both in Piketty's theory and in the experiments of experimental economists, is generally thought to affect people's tolerance for inequality and redistributive preferences (Fong, 2001; Linos and West, 2003). This paper, on the other hand, explores the effect of inequality, a macro variable that changes slowly and feels less strongly, on people's preferences, and supplements the experiential learning model from another perspective.

This study also contributes to research on the determinants of inequality aversion and redistributive preference. The concept of inequality aversion originated from experimental economics. It was first discovered that there was a systematic deviation from equilibrium in the ultimatum experiment. Fehr et al. (1999) proposed the "Inequality aversion" model to explain this systematic deviation. Since then scholars have There has been interest in exploring the nature and expression of this social preference (Andreoni, James and John Miller, 2002; Cappelen et al., 2007; Konow, 2000), as well as the drivers and determinants behind it (Alesina et al., 2001; Aaroe and Peterson, 2014; Sutter, 2007), but research is often limited to specific contexts (Shiller et al, 2007), especially Garrod (2009) found that Inequality aversion has limited explanatory power, and the behavior of half of the subjects in the experiment cannot be explained by it. This article attempts to explore a general determinant of inequality aversion and redistributive preference.

At the same time, this study is linked to a body of literature examining country differences in redistributive preferences. Researchers have long noted that redistributive preferences and policies differ markedly across countries, such as the United States and Scandinavia, and have offered many explanations for this (eg, Acemoglu et al., 2012; Edlund, 1999 ; Kleven, 2014). This paper can also be viewed as an explanation for differences in redistributive preferences across countries—income inequality varies across countries, and past experiences of inequality can affect people's redistributive preferences and, ultimately, redistributive policies.

2. DATA

2.1. CGSS

The CGSS survey started in 2003 and has now been conducted in two phases, the first from 2003-2010 and the second from 2010, and is expected to last until 2019, with data available up to 2015. CGSS is the earliest national, comprehensive, and continuous academic survey project in China. It mainly collects data on individual, community, and social levels, values, religious and cultural tendencies, and political attitudes. At present, CGSS data has become the most important and authoritative data source for studying Chinese society.

This study mainly uses data from six years of 2003, 05, 06, 10, 13, and 15, with a total of 60,603 samples, and selects the following survey questions to investigate redistribution preferences:

Helping the poor: Survey respondents' opinion on whether the government should tax the rich more to help the poor.

Although the data are from the same survey, the question scales are different every year. For example, a 5-point scale was used in 2006, a 6-point scale was used in 2005, and a 3-point scale was used in 2003. Among all scales, 1 Both expressed "strongly agree", and the degree of agreement weakened as the number increased. Therefore, this paper uses the mean and standard deviation of the data to standardize the data to facilitate the integration of data in different years. This study also normalized the data, and the smaller the value, the higher the redistribution preference.

In addition, all samples under the age of 26 were excluded as this paper attempts to measure the impact of an individual's experience between the ages of 18 and 25. The descriptive processing of the data used in CGSS is shown in Table 1.

2.2. Inequality Data and Experience Construction

This study obtained national inequality data through WID (World Inequality Database). WID is the most authoritative and comprehensive database of inequality data in the world. WID provides China from 1978 to 2014, the income (wealth) of individuals in the top 1% (10%) of income (wealth) as a percentage of total national income (wealth) data. Due to the availability and lag of Gini coefficient data, this study does not consider using the Gini coefficient to measure past experience of inequality. Among the research subjects, this paper mainly uses the income data of the top 1% of individuals in the total national income. However, in the robustness test, the top 10% income and wealth index will also be included in the research scope to prove the robustness of this research.

The age of 18 to 25 is often considered a key formative period (also known as formative or impressionable years) for a person's political views. A study by Krosnick et al. (1989) found that individual perception changes are very large during the formative period and then decline after that. Therefore, this study mainly constructs its experience of inequality by calculating the average value of the income share coefficient of the top 1 percent of a cohort between the ages of 18 and 25 (see Figure 1). At the same time, this paper also constructs the inequality experience in other years, such as 2-9 years old, 10-17 years old, etc., and conducts robustness analysis later.

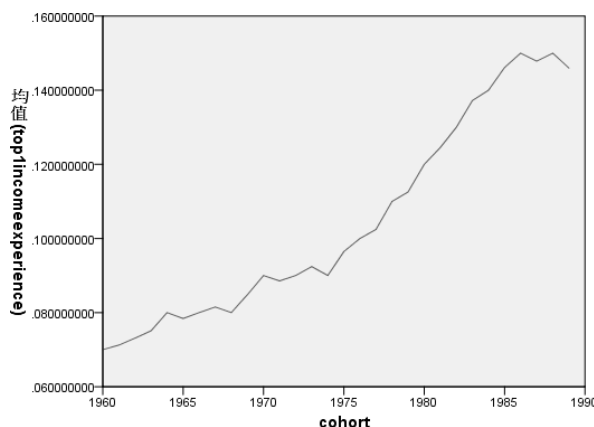


Figure 1. The top 1% income share experienced by each generation (18-25 years old)

Data source: WID

Figure 1 shows the inequality experienced by individuals born in each year from 1960 to 1990 at the age of 18-25. It can be seen that the closer the birth is to the present, the greater the inequality experienced. The inequalities experienced by individuals are the slightest.

3. EMPIRICAL RESEARCH AND RESULT ANALYSIS

3.1. Model Building

Referring to the research of Giuliano (2014), this paper sets the following model:

$$y_{it} = a_1IE_{it} + a_2X_{it} + \delta_{it} + \beta_t + \pi_i + \varepsilon_{it} \quad (1)$$

This paper mainly estimates the impact of past experiences of inequality IE_{it} on people's redistribution preferences or acceptance of inequality y_{it} . This study controls a series of individual characteristic variables X_{it} , and controls for the fixed effect of age δ_{it} , the fixed effect of generation π_i , and the fixed effect of year β_t .

Although the data of CGSS is repeated cross-section data, this paper treats it as a pseudo-panel. According to the birth year of the respondent, it is divided into a generation every 10 years, and the generation is regarded as an individual for regression, and the standard deviation used is also the cluster standard deviation. . Introducing an age fixed effect avoids the natural changes in political perceptions brought about by changes in age to the results of this study. Year fixed effects avoid the effect of macro shocks in different years on people's redistribution preferences. The cohort fixed effect avoids the effect of the results of this study on redistribution preferences caused by long-term changes in political attitudes and beliefs between generations.

3.2. Analysis of Results

Table 1 shows the regression results, and it is preliminarily concluded that the past experience of inequality will reduce people's redistribution preference (the smaller the data of inequality experience here, the more equality, and the smaller the value of the dependent variable, the higher the preference).

This result is not in conflict with the high redistribution preference reflected in the CGSS data. Considering that the average birth year of the sample is 1964, most of the samples have relatively mild inequality experience, so overall, the redistribution preference is high.

Table 1. Regression results of research subjects

	Help the poor
unequal experience	0.0247** (0.0766)
Number of observed samples	22612
R-squared	0.011
age fixed effect	yes
year fixed effect	yes
Generation fixed effect	yes
personal characteristics control	yes

Notes: 1. In parentheses are the double clustering standard deviations by age and generation.

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

4. ROBUSTNESS ANALYSIS

4.1. Other Variables That Measure the Experience of Inequality

To demonstrate its robustness, this study uses several other measures of inequality experience, such as the top 10% income share, the top 1% wealth share, the top 10% wealth share, and so on.

Table 2. Various measurement methods

	Help the poor		Help the poor		Help the poor	
top 1% wealth		top 10% income		top 10% wealth		
unequal experience	0.0153*** (0.0474)	unequal experience	0.0133*** (0.0422)	unequal experience	0.0094** (0.038)	
Number of observed samples	22047	Number of observed samples	22652	Number of observed samples		
R-squared	0.011	R-squared	0.011	R-squared	0.011	
age fixed effect	Yes	age fixed effect	Yes	age fixed effect	Yes	
year fixed effect	Yes	year fixed effect	Yes	year fixed effect	Yes	
Generation fixed effects	Yes	Generation fixed effects	Yes	Generation fixed effects	Yes	
personal characteristics control	Yes	personal characteristics control	Yes	personal characteristics control	Yes	

Table 2 shows the regression results under various measurement methods. It can be seen that on the whole, the coefficient and significance have not changed much, which proves that the results of this study do not change with the change of the measurement method of the explanatory variables, and have good robustness.

4.2. The Impact of Unequal Experiences in Other Age Groups

In the main study, the unequal experience between the ages of 18 and 25 is mainly measured. In the robustness test, we also test whether the unequal experience of other age groups will affect the individual's redistribution preference. This study examines the experiences of 2-9 years old, 10-17 years old, 26-33 years old, and 34-41 years old, and finds that the effects of unequal experiences in other age groups on individuals' redistribution preferences are very weak or even disappear, see Table 3 (only 10-17 years old, 34-41 years old results are listed here).

Table 3. Inequal experiences of other age groups

	Help the poor		Help the poor
10--17		34--41	
unequal experience	0.0797 (0.0507)	unequal experience	-0.0133 (0.082)
Number of observed samples	21231	Number of observed samples	20954
R-squared	0.004	R-squared	0.003
age fixed effect	Yes	age fixed effect	Yes
year fixed effect	Yes	year fixed effect	Yes
Generation fixed effects	Yes	Generation fixed effects	Yes
personal characteristics control	Yes	personal characteristics control	Yes

4.3. Other Macro Experiences during the Age of 18-25

As Malmendier and Nagel (2010) found, the macroeconomic environment affects people's economic behavior and attitudes. Just as unequal experiences between the ages of 18 and 25 may affect people's redistribution preferences, other macro experiences during this period may also affect people's redistributive preferences. Therefore, this study examines the effects of other macro experiences, such as government size (tax-to-GDP ratio) and per capita GDP growth, on people's redistributive preferences. It turns out (see Table 6) that other macro experiences do not affect our results.

Table 4. Other macro experiences

	help the poor
A: The size of the government	
unequal experience	0.0316** (0.0842)
Government scale experience	-0.0003 (0.0013)
Number of samples	25631
B: Per capita GDP growth rate	
unequal experience	0.0399* (0.0231)
GDP per capita experience	0.0007 (0.0002)
Number of samples	24536

4.4. Parental Values

Some literature believes that children's political views are the transmission of parental values (Dohmen et al., 2011). Therefore, this paper controls a series of parent-related variables to test the sensitivity of the results to parents' views and conditions. This paper controls a series of variables such as parents' income, occupational status, and educational level at the age of 14, and finds that parents' attitudes and conditions have little effect on the results.

Table 5. Influence of parental values

	Help the poor
unequal experience	0.0758* (0.0390)
Number of observed samples	22178
R-squared	0.015
age fixed effect	Yes
year fixed effect	Yes
Generation fixed effects	Yes
Parental Trait Control	Yes
personal characteristics control	Yes

5. OTHER CHANNELS

5.1. Government Trust

Past experiences of inequality may reduce people's trust in government. Research by Kuziemko et al. (2017) found that informing people that they are in a highly unequal environment reduces people's trust in government. Therefore, this article examines whether past experiences of inequality reduce people's political trust and, consequently, their redistributive preferences.

This study selects three variables from CGSS, which are political enthusiasm (whether you participated in the village committee/neighborhood committee voting before), government trust (you trust government announcements more than online rumors), and satisfaction with government work degree (Are you satisfied with the government's work in narrowing the gap between the rich and the poor and maintaining social equity?), and perform a regression test. It was found that past experience of inequality had a significant impact on all three, with higher inequality in the past, and lower political enthusiasm, political trust, and satisfaction with government work.

Table 6. Political trust

	political enthusiasm		government trust		Satisfaction with government jobs
unequal experience	0.0287*** (0.0636)	unequal experience	0.1012*** (0.3099)	unequal experience	0.3158** (0.0842)
Number of observed samples	21235	Number of observed samples	20194	Number of observed samples	22617
R-squared	0.011	R-squared	0.025	R-squared	0.015
age fixed effect	Yes	age fixed effect	Yes	age fixed effect	Yes
year fixed effect	Yes	year fixed effect	Yes	year fixed effect	Yes
Generation fixed effects	Yes	Generation fixed effects	Yes	Generation fixed effects	Yes
personal characteristics control	Yes	personal characteristics control	Yes	personal characteristics control	Yes

5.2. Relative Income

Studies have shown that people's perceived relative income affects their redistribution preferences (Karadja et al., 2017). Cruce et al. (2013) found through experiments that people who overestimate their income class have higher redistribution preferences. And unequal experiences change people's perceptions of their economic class. Therefore, in this study, we examine whether past experiences of inequality reduce people's perception of class and thus their preference for redistributiveness, and the results are not significant. This channel does not work.

Table 7. Hierarchy Perception

	class perception
unequal experience	-0.0399 (0.1039)
Number of observed samples	22786
R-squared	0.055
age fixed effect	yes
year fixed effect	yes
Generation fixed effect	yes
personal characteristics control	yes

6. LIMITATIONS AND PROSPECTS

It is unclear whether perceived inequality is consistent with actual objective levels of inequality (Norton and Ariely, 2011; Kuziemko et al., 2015). Individuals may have deviations in their perception of inequality due to factors such as access to information and their connections with the outside world. Individuals' experience of inequality is inconsistent with the actual objective level of inequality, which will cause noise in the research of this paper. Future research can explore this issue in two ways: first, use other survey data to clarify whether individuals' perceptions of inequality are consistent with objective facts in China. For example, Roth et al. (2018) used ISSP. (The International Social Survey Program on Social Inequality) data confirms that there is consistency between the two in Europe and the United States; second, change the research method and use the method of experimental economics to directly conduct experiments on micro-individuals, such as before the ultimatum experiment Add a pre-experiment that makes individuals feel unequal, observe the responses of the subjects, etc. The specific experimental methods need to be further explored.

At the same time, most of the data samples were in the 1970s and 1980s when they were 18 to 25 years old. It is not ruled out that political movements such as going to the mountains and the countryside will also have a certain impact on their redistribution preferences. Regarding this point, due to the lack of CGSS data, it is temporarily impossible. Make good control. The possible implications of this can be further explored in the future.

Finally, the "Do you agree to tax the rich to help the poor" in the CGSS data set is somewhat oriented and may not be a good measure of people's redistribution preferences, which will lead to a certain bias in our results.

7. CONCLUSION AND IMPLICATIONS

Using data from the CGSS, this study examines the relationship between past experiences of inequality and current redistribution preferences, conclusively confirming that past

experiences of inequality reduce people's redistributive preferences. One possible explanation is that past experiences of inequality have reduced people's trust in government, making people no longer believe that government work in the field of redistributive can effectively narrow the gap between the rich and the poor, thereby reducing redistributive preferences.

China's Gini coefficient has always been high, and data from CHFS (Centre for Household Finance Survey of Southwestern University of Finance and Economics) shows that China has already broken the warning line of 0.4, reaching 0.61. China's younger generation is experiencing high levels of inequality. When this generation grows into the main force of social advancement, their lower redistribution preference will cause great resistance to China's income distribution reform. Therefore, it is necessary for the government to take measures as soon as possible to narrow the gap between the rich and the poor and achieve social equity.

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