Unmet Expectations and Attitudes towards the Role of Government

The Long-term Effects of Early Labour Market Experiences

Gaetano Inglese*

Draft June 2025.

Abstract

Young people in advanced democracies are living through a period of enduring economic insecurity. While growing up with the meritocratic belief that the labour market rewards effort in education, young people often experience a mismatch between their expectations and the reality of work life. This paper studies the political consequences of unmet income expectations among young people in advanced capitalist democracies. It argues that the gap between expectations formed during early adulthood and real outcomes across the life-cycle shifts beliefs about the fairness of the market system, increasing demands for government intervention in the economy. If such a gap is experienced during formative years, it leaves a lasting imprint across the life cycle. Using 30 waves of the British Household Panel - Understanding Society panel dataset, the paper finds that early life unmet expectations about income are a stronger predictor of attitudes towards economic interventionism than real earnings. Moreover, it is stronger among those with higher education and from more privileged social class backgrounds. The paper contributes to the literature on redistribution preferences by shedding new light on the subjective mechanisms underlying economic attitudes and unveiling the potential political implications of economic disappointment at a young age.

*The London School of Economics and Political Science, Government Department. Please do not circulate without the author's consent.

1 Introduction

Advanced democracies in Western Europe are navigating times of economic stagnation, marked by slow growth and rising inflation. Young people have been particularly hit, while facing increasing occupational insecurity, low wages, and a soaring cost of living (Green 2017). At the same time, higher education has become more accessible than ever before (Iversen and Soskice 2019), making the gap between income expectations and labour market outcomes increasingly wider (Ansell and Gingrich 2017). How does this gap between expectations and reality affect public support for state intervention in the economy? And to what extent does it shape the attitudes of young people with lasting consequences?

This paper investigates these important questions by examining the political reverberations of unmet income expectations among young people. The idea that attitudes towards state intervention reflect material self-interest is well established in the relevant scholarship (Meltzer and Richard 1981). Demands for economic intervention are known to respond to changes in income (Margalit 2019) or to expectations about future outcomes, which form a central part of an individual's economic calculus (Rueda and Stegmueller 2019). However, it remains unclear to what extent the discrepancy between expectations and reality leads individuals to perceive their economic condition as more or less secure than it objectively is. If such disappointment occurs during periods of heightened sensitivity—such as early adulthood—it may also have enduring effects across the life course. Unveiling this question is critical because economic disappointment could operate as a powerful subjective mechanism of attitudinal formation, perhaps more so than objective material conditions.

This paper argues that unmet income expectations inflate perceptions of economic insecurity and unfairness, beyond what would be predicted by income levels alone. Moreover, drawing on the impressionable years hypothesis (Dinas 2013, 2012; Grasso et al. 2019), early-life unmet income expectations influence attitudes toward the role of government over the life cycle as people interpret their current economic circumstances through the lens of those formative disappointments.

Focusing on the United Kingdom and using 30 waves from the British Household Panel Survey and Understanding Society, with annual observations from 1991 to 2023 at the individual level, the analysis demonstrates that the gap between income expectations and reality increases support for greater government involvement in the economy, especially when it happens early in life. Holding income constant, individuals whose expectations have been disappointed during formative years are more likely to endorse state interven-

tion, mainly because their perceptions of system unfairness increase. When they occur during the formative years, unmet income expectations foster persistent perceptions of unfairness, which continue to shape attitudes well into adulthood.

The remainder of the paper is structured as follows. I first review the relevant literature and develop the theoretical framework, outlining the hypotheses to be tested. I then present the empirical strategy and results. Finally, I discuss the theoretical implications of the findings and propose directions for future research.

2 The Role of the Expectations vs Reality Gap

2.1 Unmet Income Expectations and Economic Interventionism

With economic and political uncertainty across many Western European democracies, scholarly attention on the determinants of public support for state intervention in the economy and redistribution has increased (Yeandle et al. 2024). According to the material self-interest model (Meltzer and Richard 1981), preferences for economic interventionism depend on people's position in the income distribution. Specifically, support for redistribution and social protection is strongest among those with below-median incomes (Meltzer and Richard 1981), those who perceive a heightened risk of unemployment (Rehm 2009), or those expecting income declines (Rueda and Stegmueller 2019). Moreover, employment conditions moderate this relationship, as the perceived risk of labour market transitions also influences preferences (Pahontu 2022).

These approaches assume rational behaviour: individuals assess their economic interests based either on their current status or forward-looking expectations. However, this rationalist perspective overlooks the crucial role of subjective mechanisms underlying attitudinal and electoral effects. People's attitudes towards economic interventionism are also shaped by how secure they feel, how they interpret risk, and whether they perceive the system as fair (Hacker et al. 2013; Häusermann et al. 2023). A particularly salient dimension of this subjectivity is the gap between economic expectations and actual outcomes - namely, "unmet expectations." Although this concept has received limited attention in political behaviour research, emerging evidence suggests its significance. For instance, unmet expectations of occupational mobility foster political resentment (Kurer and Staalduinen 2022), and mismatches between aspirations and achievements are linked to dissatisfaction with the political system (Ansell and Gingrich 2017). In Chile, Cox (2024) shows that university graduates who earn less than expected tend to support left-wing policies.

Building on these insights, this paper argues that unmet income expectations foster sup-

port for economic interventionism by increasing subjective economic insecurity, above and beyond objective income. Moreover, the paper suggests that if such expectations are disappointed early in life, they influence attitudes towards government intervention in the economy by shaping enduring perceptions of unfairness and eroding trust in market meritocracy.

Understanding the political consequences of unmet expectations requires understanding how individuals form expectations in the first place. There are two main sources. The first is educational attainment. Labour economics shows that individuals anchor income expectations to their qualifications (Heckman et al. 2006; Lemieux 2006). Higher education is socially perceived as a pathway to upward mobility, and individuals feel entitled to commensurate economic rewards (Sandel 2021). When reality falls short, it generates subjective insecurity and erodes trust in market fairness.

The second is the social network. Individuals also learn what to expect by observing others in their social networks, especially during formative years. Expectations are shaped by the observed outcomes of similar individuals in their communities (Roemer and Wets 1994; Ahrens 2019). If labour market outcomes fall short of what people expect based on their upbringing and social context, this disjuncture can increase demand for government intervention to tame market insecurity. Thus, unmet income expectations generate a subjective sense of frustration, decoupling attitudes from objective income levels. Hence, I formulate a first simple hypothesis as follows:

> Hypothesis 1: Individuals whose income expectations are unmet are more likely to support government intervention in the economy than those whose income expectations are met.

2.2 Unmet Income Expectations during the Impressionable Years and Unfairness Beliefs

But do these attitudinal effects vary across the life cycle? Age is plausibly a critical moderator of how unmet expectations are experienced. Expectations and reactions to their fulfilment vary across different life stages (Evans 1993). Youth tend to be more optimistic and forward-looking; midlife adults are more grounded in their current financial standing; and as individuals near retirement, expectations may rise again, along with feelings of vulnerability. Importantly, early adulthood is a formative period. According to the impressionable years hypothesis (Dinas 2013), attitudes formed between ages 16 and 25 are especially persistent. During this time, individuals encounter key life transitions—entering the labour market, voting, paying taxes—and are more susceptible to

external shocks. Thus, unmet expectations during this sensitive window may leave a permanent imprint on political beliefs. On the one hand, it is intuitive to think that at a young age, optimistic expectations about the future, especially among graduates, fuel less risk-averse attitudes and downplay more general support for state intervention in the economy. However, it is because of this powerful role of expectations early in life that disappointment might have a more severe political effect than later in life, when expectations are more tied to reality. Given that the salience of expectation is higher, and sensitivity is augmented, I expect that unmet income expectations during the window of the so-called impressionable years yield long-term marks on individual attitudes towards the role of the state in the economy:

> Hypothesis 2a: Individuals who experience unmet income expectations during the impressionable years are more likely to support government intervention in the economy later in life.

How do unmet expectations affect long-term perceptions of economic insecurity? This paper suggests that the primary mechanisms through which early life unmet expectations fuel support for economic interventionism are by triggering a lasting bias towards the unfairness of the market system.

According to grievance theory, people evaluate the fairness of their outcomes relative to a reference point (Burgoon et al. 2023; Smith and Pettigrew 2015), such as expectations rooted in the meritocratic principle of rewards proportionate to effort (Cavaillé 2023). If individuals believe that hard work should yield proportional rewards, falling short of these expectations can lead to disillusionment. In some cases, secure individuals may demand state intervention if they feel their success is unearned. Conversely, insecure individuals may oppose intervention if they attribute their struggles to personal failure. Hence, beliefs about the role of meritocracy in society — beyond the interest associated with the income earned —shape preferences (Alesina and Angeletos 2005). This paper argues that early-life unmet expectations distort beliefs about the fairness of the economic system, fostering lasting pessimism and distrust in the market's meritocratic promises.

> Hypothesis 2b: Individuals who experience unmet income expectations during the impressionable years are more likely to perceive the economic system as unfair later in life.

2.3 Heterogeneity Across Education and Social Class of Origin

As discussed, individuals likely form expectations about their income based on the educational level they have achieved and their experience in the labour market (Lemieux 2006).

The higher the level of education, the higher the expectation about the income they are entitled to. As a consequence, the impact of unmet income expectations should be higher for individuals with higher educational levels, who believe in the meritocratic principle that rewards should be proportional to effort. Assuming that individuals who believe more in meritocracy achieve higher education levels to improve their socioeconomic status, the experience of income disappointment should fuel resentment for the economic system and drive support for government intervention in the economy.

However, it is also plausible that, beyond the effect of education, people's social class background influences how strongly they react to a loss in expected income. In a context where meritocracy is a widely shared principle and people from different backgrounds achieve similar educational levels, individuals respond differently to their income achievements based on their social origin. Recent research has shown that individuals often benchmark their aspirations to the socioeconomic status of their parents (Kurer and Staalduinen 2022), and when downward mobility occurs, it triggers disillusionment and dissatisfaction (Alesina et al. 2018). While people from a lower social class background may attach stronger expectations to the education they have achieved, as it ensures their social class mobility (Ares and van Ditmars 2025; van Staalduinen and Zollinger 2024), individuals from a higher social background might attach lower expectations to their education, as they aim to only reproduce their social milieu rather than being upwardly mobile. This implies that individuals from higher-class backgrounds, who expect to maintain their parents' status, may be less sensitive to unmet expectations than those from lower-class backgrounds, who may experience unmet income expectations as a systemic failure. I propose two different hypotheses to unpack these two mechanisms:

> Hypothesis 3a: Individuals with higher educational attainments who experience early life unmet income expectations are more likely to believe that the system is unfair than those with lower educational attainments.

> Hypothesis 3b: Individuals from lower-class backgrounds who experience early life unmet income expectations are more likely to believe that the system is unfair than those from higher-class backgrounds.

3 Dataset and Measurements

To test my hypotheses, I rely on individual-level panel data from the British Household Panel and Understanding Society datasets. After harmonising 30 waves, my dataset contains individual-level information on a representative sample of British households from

1991 to 2023. I restrict the sample to respondents who entered the panel between the ages of 16 and 25. While this reduces the overall sample size to 98,323 total observations, it allows us to observe more than 8000 respondents since their impressionable years. Given that the BHPS panel covers over 30 waves, the maximum age observed for the youngest cohort is 45. In the Appendix, I show the dataset's age distribution and other key figures about the dataset.

I operationalise expected income drawing upon a well-established approach in labour economics known as Mincer's earnings model (Heckman et al. 2006). Notably, the model estimates income as a function of the additive effects of schooling years and work experience, evenly across individuals (Lemieux 2006). This approach has been adopted in political science by Rueda and Stegmueller (2019), who measure expected income as a function of the interaction between the type of education attained and years of work experience, introducing random effects to account for unobserved characteristics such as talent or effort. I estimate time-varying income expectations as [1]:

$$\log(\text{Annual Gross Labour Income})_{it} = \alpha_i + \sum_{i}^{(t=1)} w_{it} + \eta_i + \varepsilon_{it} \tag{1}$$

In this equation, $\log(\text{Annual Gross Labour Income})_{it}$ denotes the logarithm of individual i's annual labour income at time t. The term α_i captures the individual fixed effect, while η_i represents unobserved heterogeneity, and ε_{it} is the idiosyncratic error term. The vector w_{it} includes a set of time-varying predictors: educational attainment (measured through a categorical variable distinguishing between university degree, other higher qualifications, A-levels, GCSE, other lower qualifications, and no formal qualifications), years of work experience, the interaction between education and experience, and the squared term of years of experience to account for potential non-linear effects.

As a first step, I operationalise unmet income expectations as a time-varying variable. Leveraging the longitudinal structure of the dataset, I calculate the difference between an individual's expected income and their actual income at each time point. This provides a dynamic representation of unmet expectations across the life course and different educational profiles.

$$\text{UnmetExpectations}_{it} = \hat{Y}_{it} - Y_{it} \tag{2}$$

[1] This strategy is close to estimating the individual-specific residual component of Rueda's and Stegmueller's income prediction equation. I invert the formula to achieve a measure of the distance of observed income from the expected. I compute it for everyone in the panel at a specific age range as an average amount

In this expression, $\hat{Y}_{it}$ represents the expected income of individual i at time t, while Y_{it} denotes their actual income at the same time. A positive value indicates that the individual earned less than expected, capturing a sense of economic insecurity. This time-sensitive measure enables the analysis of how changing experiences of unmet expectations shape attitudes towards government intervention in the economy over time.

However, this first approach faces two key empirical challenges. On the one hand, expectations co-evolve with real income, either as a result of life changes (Evans 1993) or because expectations are shaped by prior economic realities. Thus, the problem lies in isolating the experience of earning less than expected due to unanticipated shocks, without conflating this with changes in actual income levels. Individuals self-select into incomes below the one we would objectively expect for reasons that correlate with their attitudes. Moreover, they may rationalise their underachievement ex-post by lowering their expectations, creating serial correlation in the effects. The proposed empirical approach to rule out individual-specific factors endogenous to expectations, as well as time-varying autocorrelation in income expectations, is to apply individual fixed effects and lagged dependent variable controls.

To address H2a and H2b, I calculate the gap in expected vs observed as a time-invariant predictor. Following the model in Equation 1, I cap the upper bound of the impressionable years at 30 years old and calculate the difference between the average expected income and average real income for an individual during the age range of 16 to 30 years old, which I refer to as the impressionable years window. The result is a continuous variable with positive values indicating experiences that go below the individual expectation and negative values indicating experiences above expectations:

$$\text{UnmetExpectations}_i^{\text{Formative}} = E[\hat{Y}_{i,\text{16-30}}] - \bar{Y}_{i,\text{16-30}} \tag{3}$$

In this equation, $E[\hat{Y}_{i,\text{16-30}}]$ denotes the predicted average income of individual i over the formative period, based on labour market characteristics such as educational attainment and experience. In contrast, $\bar{Y}_{i,\text{16-30}}$ represents the actual average income earned by the same individual during that time. A positive difference implies that the individual's income fell short of their expectations. This gap is interpreted as a subjective source of economic insecurity, potentially influencing attitudes toward economic interventionism and beliefs about fairness in the market system.

I propose an alternative operationalisation of unmet income expectations during formative years, grounded in the idea that expectations are formed before labour market entry and remain fixed thereafter. In this framework, individuals benchmark their long-term

income expectations based on characteristics known before entering the workforce—such as educational attainment, parental social class, sex, and ethnicity—and then compare these expectations to their realised income once they begin working. This approach aligns with the framework proposed by Kurer and Staalduinen (2022), who treat expectations as a stable reference point derived from time-invariant early-life attributes. To operationalise this, I first identify the onset of each individual's labour market participation. Then, for the first five years following labour market entry, I calculate the average actual income earned and compare it to the average predicted income based solely on time-invariant predictors. The difference between the two yields a person-specific measure of unmet income expectations at labour market entry:

$$\text{UnmetExpectations}_i^{\text{Entry}} = E[\hat{Y}_i] - \bar{Y}_{i,t+5} \tag{4}$$

Here, $E[\hat{Y}_i]$ denotes the expected average (log) labour income for individual i during the first five years of labour market participation, predicted from a model using only time-invariant characteristics. $\bar{Y}_{i,t+5}$ represents the actual average (log) labour income earned over that same five-year period. A positive gap indicates that income fell short of what was expected based on early-life characteristics, capturing a form of unmet expectation that may shape future economic attitudes.

4 Descriptive Statistics and Validations

To sum up, I construct three different indicators for unmet income expectations. Operationally speaking, the first variable - income expectations vs reality gap - measures the contemporaneous differences between the average observed and expected income at each time point for individuals with different levels of education and years of work experience. The second one - income expectations vs reality gap during impressionable years - is time invariant and measures the average difference between expectations and outcomes realised during the age range 16-30 for individuals with different levels of education and years of work experience. The last one - income expectations vs reality gap after labour market entry - is also time-invariant and measures the average difference between income expected based on the education attained and the income earned during the first 5 years of labour market participation. The resulting variables are continuous and contain negative and positive values, with positive values reflecting when the expected income is higher than the observed one and thus expectations are not met. The descriptive statistics of the independent variables are shown in Table 1.

Unmet Income Expectations	**Obs**	**Mean**	**SD**	**Min**	**Max**
Unmet Expectations (Impressionable years)	78,948	-0.032	0.758	-2.52	6.91
Unment Expectations (Labour market entry)	38,880	0.136	0.753	-2.03	9.04
Unmet Expectations (Life cycle)	41,051	-0.143	0.856	-3.58	6.34

Table 1: Descriptive statistics of the different operationalisations of formative income gap experiences.

Figure 1 presents the age-related profiles of the expectations versus reality gap in labour income, disaggregated by educational attainment. The plot shows that individuals with higher qualifications—particularly those with degrees or A-levels—consistently report a positive income gap, indicating that their income falls short of expectations throughout early and mid-adulthood. Conversely, those with no or lower qualifications tend to report smaller or even negative gaps, suggesting their expectations are more aligned with actual outcomes. These patterns capture meaningful variation across education groups and support the interpretation that the income gap variable meaningfully captures perceived economic disappointment, especially among the highly educated at a young age.

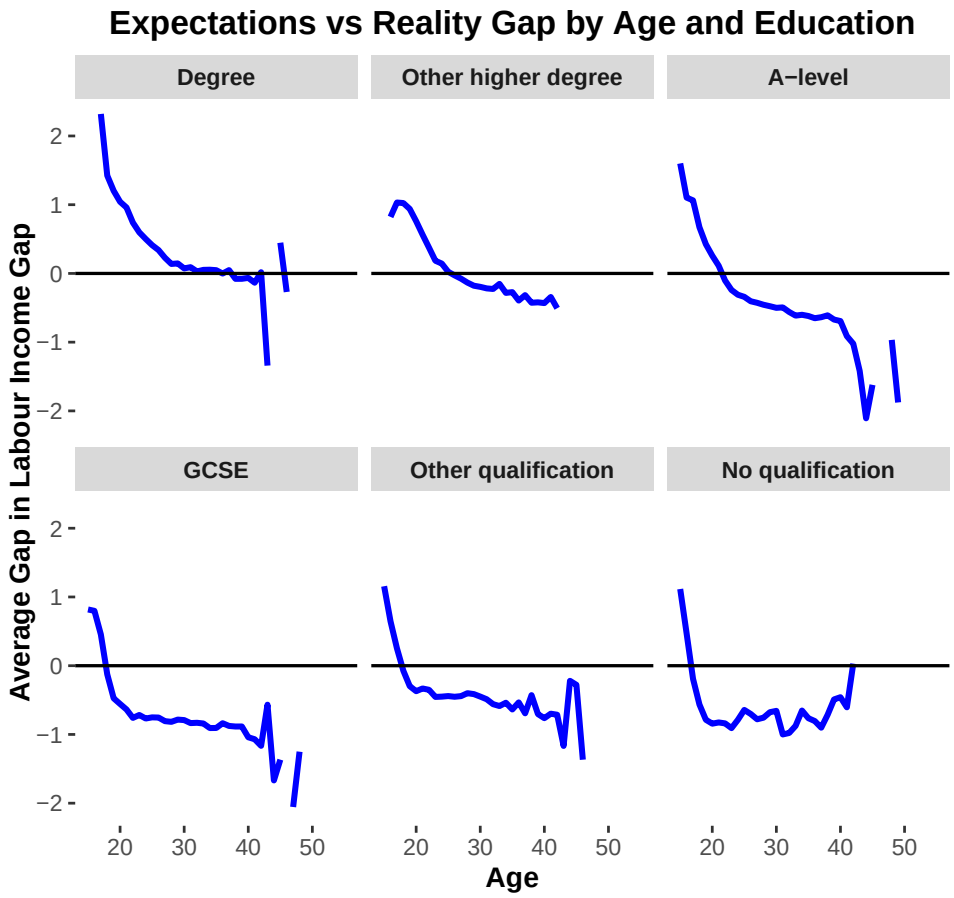


Figure 1: Age-Income Gap profiles by different educational levels. The y-axis represents the average value of the gap between expected and real labour income at different age points in the dataset. Expected income is predicted using the Mincer equation.

One argument against the empirical relevance of these measures is that individuals are not aware of their expected income, or that they adjust their expectations to their achieved income. If individuals are unable to identify their expected income, or if their expectations are highly endogenous to their achievements, it follows that the measurement strategy is not valid. To make this approach credible, I validate my independent variables by testing whether the gap in expected vs real income is systematically associated with feelings of income dissatisfaction and with future economic expectations. In this way, I can ensure that individuals with unmet expectations are indeed aware of being underachieving and are more insecure. Table 2 shows that the measurement of unmet expectations is negatively associated with satisfaction with income, where respondents are asked to place themselves on a scale from 1 to 7, where 7 corresponds to complete satisfaction. This finding is critical in validating the measurement of unmet expectations and its adequacy in capturing the experience of displacement for the individual.

Table 2: Expectations vs Reality and Income Satisfaction

	(1)	(2)	(3)
DV: Income Satisfaction (0–1)			
Life Cycle	-0.318***		
	(0.030)		
Impressionable Years		-0.059***	
		(0.020)	
Labour Market Entry			-0.128***
			(0.030)
Controls	Yes	Yes	Yes
Observations	30,537	59,044	28,411

Note: Each column reports results from a separate model using a different operationalisation of the gap between expected and actual labour income. Controls are labour income and time. Standard errors are clustered at the individual level. *** $p<0.01$, ** $p<0.05$, * $p<0.10$.

Similarly, the results in Table 3 provide empirical validation for the unmet expectations measure by showing that larger gaps between expected and actual income are systematically associated with pessimistic economic expectations. Individuals with unmet expectations are significantly more likely to anticipate deteriorating ("Worse") economic prospects. Particularly when the gap is measured during the impressionable years, there is a strong negative association between unmet expectations and economic optimism. Taken together, these results validate the use of these three different measures of unmet income expectations as experiences of economic disappointment.

Table 3: Expectations vs Reality and Economic Expectations

	(1)	(2)	(3)
Outcome: Better Economic Expectations			
Life-Cycle	0.057*		
	(0.030)		
Impressionable Years		-0.122***	
		(0.020)	
Labour Market Entry			0.059
			(0.030)
Outcome: Worse Economic Expectations			
Life Cycle	0.382***		
	(0.040)		
Impressionable Years		0.214***	
		(0.030)	
Labour Market Entry			0.097*
			(0.040)
Observations	39,354	70,963	36,042

Note: Estimates from separate models for Better and Worse economic expectations. Each model includes controls for income and age. Standard errors are clustered at the individual level. *** p<0.01, ** p<0.05, * p<0.10.

5 Empirical Strategy

I estimate a series of regression models to test the effect of three distinct operationalisations of unmet income expectations on attitudes toward the role of government in the economy, which I call here *economic interventionism*. The dependent variable, *economic interventionism*, is constructed following the procedure outlined by Ares and van Ditmars (2025). It aggregates multiple survey items capturing respondents' attitudes toward government involvement in the economy, including beliefs about income inequality, fairness, public service provision, social protection, market regulation, and trade union influence. Each item was recoded so that higher values indicate more progressive or pro-state atti-

tudes (e.g., higher concern about inequality, stronger support for redistribution, and lower trust in private business). I then averaged these items and rescaled the index to range from 0 to 1, where 1 indicates strong support for economic interventionism and 0 indicates a market-oriented or economically conservative position. I present the full wording of the survey items and descriptive analysis of the component of the dependent variable in the Appendix. These items have previously been validated as proxies for redistribution preferences (Helgason and Rehm 2023) and are well-suited to capturing general attitudes toward state economic intervention and welfare provision.

For the first specification, I use a Two-Way Fixed Effects (TWFE) model to estimate the within-individual association between time-varying unmet income expectations and economic attitudes over time. This model controls for all time-invariant individual characteristics, as well as common shocks across time and serial correlation in the dependent variable, as discussed previously:

$$\text{Economic Interventionism}_{it} = \alpha_i + \lambda_t + \beta_1 \text{Unmet Expectations}_{it} + \gamma W_{it} + \varepsilon_{it}$$

Here, α_i captures individual fixed effects, λ_t captures time fixed effects, and W_{it} includes time-varying covariates such as income, employment status and the lagged dependent variable.

For the second and third specifications, where unmet expectations are measured as time-invariant constructs, I employ Random Effects (RE) models. Unlike fixed effects, RE models allow for the inclusion of individual-level time-invariant predictors. While they do not eliminate all unobserved heterogeneity, I mitigate this concern by including time-variant and invariant covariates (wave and labour income), and fixed effects for birth cohort and gender. This approach also provides estimates of between-individual differences in support for economic interventionism as a function of early-life income gaps:

$$\text{Economic Interventionism}_{it} = \beta_0 + \beta_1 \text{UnmetExpectations}_i^{\text{Formative, Entry}} + \gamma W_{it} + u_i + \varepsilon_{it}$$

In this model, u_i is the individual-specific random intercept, and ε_{it} is the idiosyncratic error term. The coefficient β_1 captures the between-subject effect of experiencing an income gap early in life, while controlling for observed confounders in $gammaW_{it}$.

6 Results

6.1 Unmet Expectations and Economic Interventionism over the Life-Cycle

H1 postulates that the wider the gap between expectations and reality, the higher the support for government intervention in the economy. I run a TWFE model as in Equation 5, where the main predictor is the gap between expected and observed labour income over time and the outcome is individual support for economic interventionism measure on a scale 0-1, where 1 indicates support for a more active role of government in the economy. The model also includes controls for labour income and employment status for the lagged independent variable. The inclusion of time and individual fixed effects in the model helps isolate the causal effect of the expectations vs reality income gap on economic interventionism.

Table 4: Unmet Expectations (Life-Cycle) and Economic Interventionism

	(1)	**(2)**
DV: Economic Interventionism (0–1)		
Expected vs Real Lab Income (Life-Cycle)	0.006	0.004
	(0.004)	(0.004)
Fixed Effects (Individual)	Yes	Yes
Time Fixed Effects	No	Yes
Controls (Age, Income)	Yes	Yes
Observations	13017	13017
R-squared	0.75	0.75

Note: Results from panel fixed-effects regressions estimating the effect of a one-year lagged gap between expected and real labour income on support for economic interventionism. Model (1) includes individual fixed effects. Model (2) includes both individual and time fixed effects. Controls include respondent age and log total income. *** p<0.01, ** p<0.05, * p<0.10.

Table 4 shows the results from two models, one controlling only for individual fixed effects - a within-individual model- and a second controlling for both time and individual fixed effects - a two-way fixed effects model. Both models apply controls for age and

income. Across both models, the evidence suggests that unmet income expectations have a small positive effect on economic interventionism. However, effects are not significant at the 5% significance threshold, suggesting a weak relationship on average over time for the same individual.

6.2 Early-Life Unmet Expectations and Economic Interventionism

H2a and H2b test whether unmet income expectations, when experienced early in life, have a lasting impact on attitudes, specifically, whether the timing of these experiences across the life course matters. Because the key independent variables are time-invariant, I estimate random effects (RE) models, as specified in Equation 5, which incorporate both within- and between-individual variation. As discussed in Ares and van Ditmars (2025), this approach allows for the inclusion of time-invariant covariates—such as early-life experiences, gender, and ethnicity—that would be dropped in fixed effects models. Random effects models weight both within- and between-individual sources of variation, accommodating predictors that vary only between individuals (e.g., early-life gaps, gender) as well as those that vary over time (e.g., age, labour income). The inclusion of individual-level random intercepts accounts for unobserved heterogeneity across individuals. However, this approach relies on the assumption that the unobserved individual-specific effects are uncorrelated with the observed regressors. If this assumption is violated, the estimates may be biased. To mitigate this risk, the models control for gender, ethnicity, time, age, and income. Nevertheless, causal claims are made cautiously, given the inherent limitations of the RE approach in isolating exogenous variation.

Table 5: Unmet Expectations and Economic Interventionism

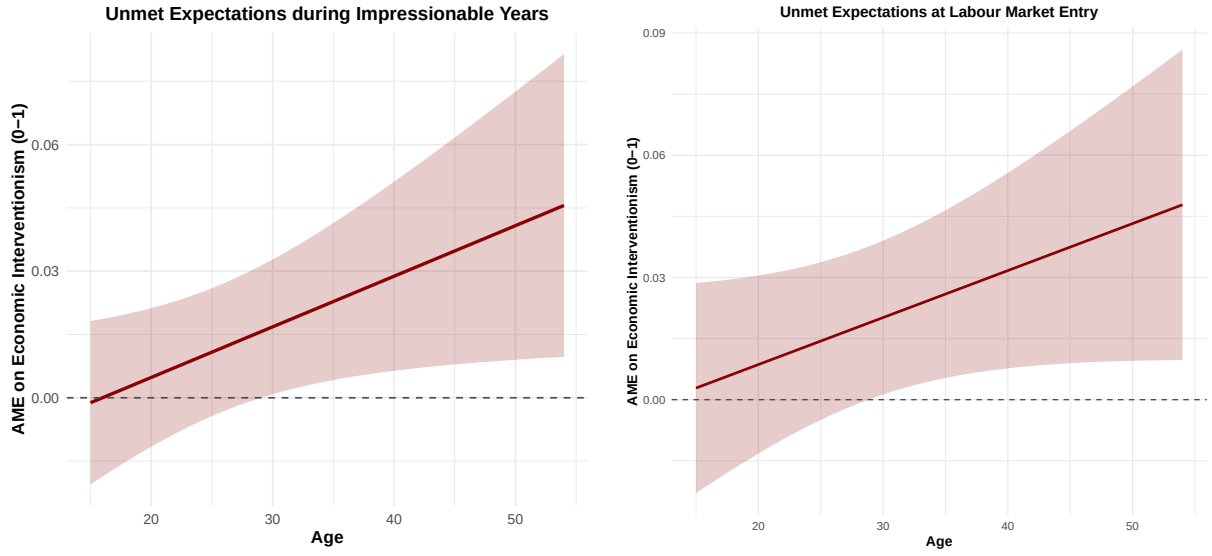
	(1)	(2)
DV: Economic Interventionism (0-1)		
Impressionable Years	0.007*	
	(0.003)	
Labour Market Entry		0.008*
		(0.004)
Controls	Yes	Yes
Observations	5,626	3,915
R-squared	0.38	0.34

Note: Results from random effects regressions estimating the relationship between income gap measures and economic attitudes. Variables are standardised for comparison, and the outcome is a 0-1 scale for economic interventionism. Controls included in all models are: gender, ethnicity, age, time, and log income. * $p<0.05$.

Results in Table 5 show that the gap between income expectations and reality occurring early in life, either before one turns 30 years old or during the first 5 years in the labour market, has a positive and significant effect on support for government intervention in the economy. Specifically, one standard deviation increase in income expectations vs reality on average during impressionable years has a .07% increase over time, while a .08% increase when the gap is measured on average at labour market entry. The effects are positive and significant yet small in size, accounting for an overall 1 percentage point increase in attitudes on average. Yet, these effects are not trivial if we consider that outcomes such as political attitudes are highly stable over time, and controls for gender, ethnicity, age, time, and income are included in the model to help isolate the effect from confounders.

The random effects models help illuminate the relationship between early-life experiences of unmet income expectations and long-term attitudes toward economic intervention. The results indicate a persistent effect over time: individuals with unmet expectations tend to score, on average, one point higher on measures of support for interventionist economic policies. To better understand how this relationship evolves across the life course, I examine average marginal effects by age. The figures below compare individuals whose early-life income gap was one standard deviation above or below the mean, measured during two

key developmental periods: the impressionable years (ages 16–30) and the first five years after entering the labour market. For each case, I estimate random effects models in which the income gap indicator interacts with age, controlling for income, gender, ethnicity, and time. This allows me to trace how the impact of early economic disappointment changes over time.



(a) Effect of expected vs. real income gap during impressionable years (16-30) over age. Controls are income, gender, ethnicity and time.

(b) Effect of expected vs. real income gap at labour market entry over age. Controls are income, gender, ethnicity and time.

Figure 2: Average Marginal Effects estimated using random effects models with controls for labour income, gender, ethnicity, and time fixed effects.

Figure 2 illustrates a clear and persistent effect of unmet income expectations experienced during the impressionable years. The effect becomes statistically significant after individuals reach their early 30s and continues to grow, reaching up to a 0.5 percentage point increase in support for economic interventionism in adulthood, compared to those who did not experience such a gap. The gap at labour market entry shows a similar effect. Individuals who experienced a gap one standard deviation above the mean show increased support for economic interventionism shortly after turning 30. This evidence suggests a significant variation between individuals with different early labour market experiences, showing that the effect is not replaced by later time-varying factors such as income. Overall, this suggests that the impact of the expectations-versus-reality income gap is enduring when it occurs early in life, and significant during the course of an individual's adulthood. Experiences of early life unmet income expectations shape long-term attitudes regardless of later levels of income, fostering stronger support for policies of

government interventionism in the economy.

Furthermore, I explore which component of the scale for economic interventionism drives the effect. In doing so, I unpack the outcome in six different survey items, on a scale of 1-5, corresponding to different attitudes towards the role of the state in the economy and the fairness of the market system.

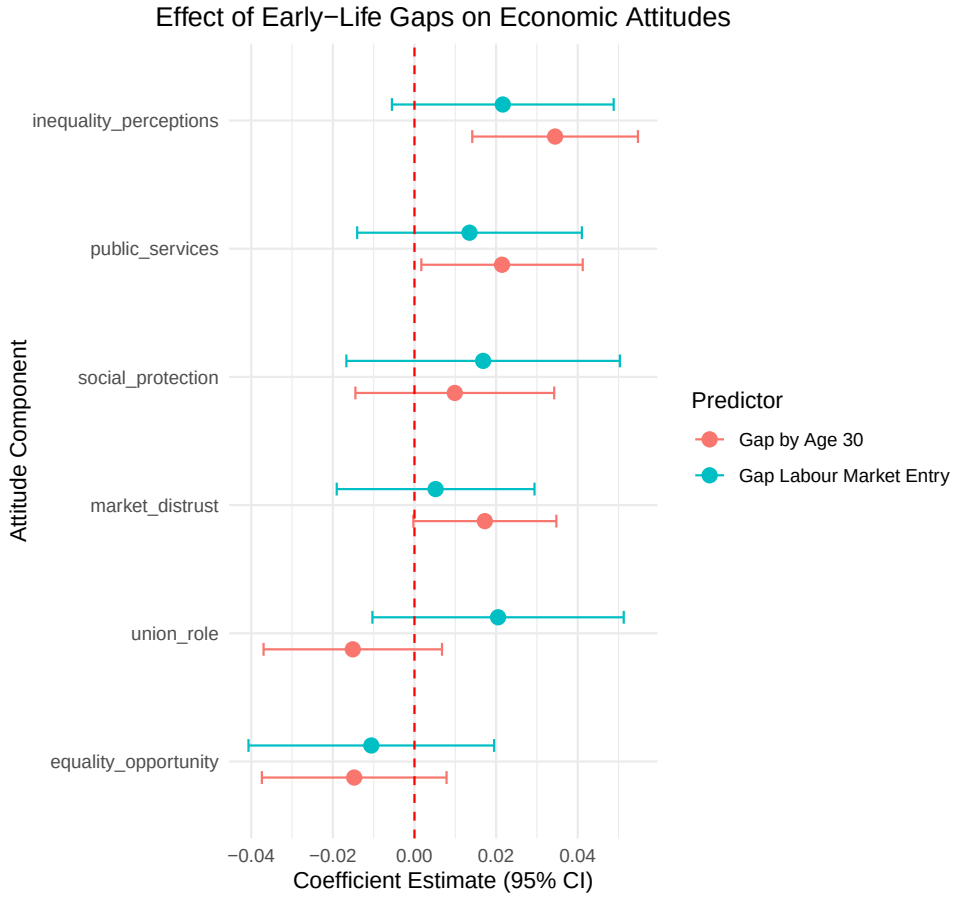


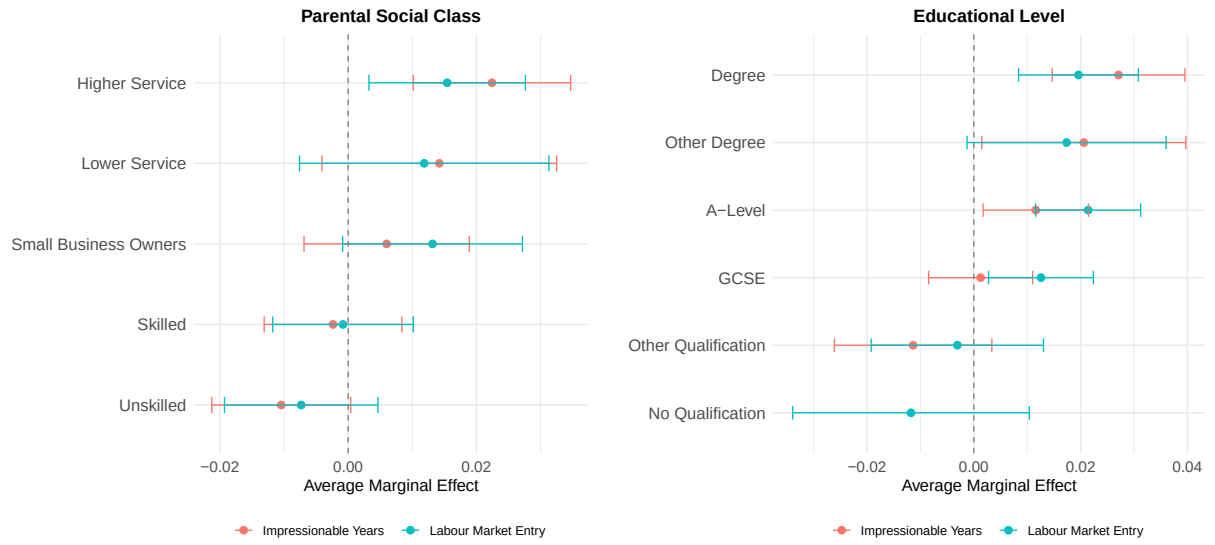
Figure 3: Effect of early-life Unmet Expectations on different economic attitudes. Estimated coefficients from a random effects panel model including the main predictor lagged, controls for age, labour income, sex, ethnicity, and time. Standard errors are clustered at the individual level using a robust sandwich estimator accounting for serial correlation.

Applying random effects models with controls as before, the results show that early life unmet expectations increase the overall support for economic interventionism across the life-cycle, mostly by shifting attitudes towards the fairness of the market system. Figure 3 presents the estimated effects of early-life income gaps—measured at age 30 and labour market entry—on six dimensions of economic attitudes. The income gap by age 30 is positively associated with stronger support for public services, perceptions of inequality, and market distrust, shifting attitudes of around 2 to 4 percentage points.

In contrast, income gaps at labour market entry exhibit weaker and largely statistically insignificant associations across all attitude components. These findings suggest that unmet expectations by early adulthood, rather than at the moment of labour market entry, are more consequential for shaping long-term economic attitudes. They also provide a more nuanced understanding of the effects, showing stronger and meaningful effects on a set of outcomes that concern attitude towards inequality, public ownership of public services and trust towards the market. Overall, these findings show that the attitudes driving a stronger support for economic interventions found in previous models are mostly related to distrust towards the market and perception of unfairness of labour market outcomes. These findings are consistent with the idea that, beyond income levels alone, individuals may also support government intervention in the economy for reasons that go beyond their material self-interest in redistribution and that are more closely related to unfairness perceptions and lack of trust in market meritocracy (Cavaillé 2023).

6.3 Unmet Expectations and Economic Interventionism across Education and Parental Class

I explore variation in the effect of early life income gap across educational levels and parental class background. As discussed in the theory section, I expect the effect of unmet income expectations early in life to trigger higher support for economic interventionism among those with higher education, who have higher expectations based on their educational profile, and those from lower social backgrounds who attach higher expectations to their education based on their meritocratic beliefs.



(a) AME of early-life unmet expectations by parental class. The reference category is "unskilled".

(b) AME of early-life unmet expectations by educational attainment. The reference category is "no qualification".

Figure 4: Average Marginal Effects of early-life unmet expectations on economic interventionism (0-1) by parental class and education. Estimates from random effects models with controls for income, gender, ethnicity, and time.

Figure 4 displays heterogeneous effects of early-life unmet income expectations across educational and social class backgrounds. Consistent with Hypothesis 3a, individuals with higher educational qualifications, particularly degree holders, exhibit stronger support for economic intervention when faced with income disappointment. This aligns with the idea that highly educated individuals internalise meritocratic norms and thus experience unmet expectations as a systemic failure. However, the results for Hypothesis 3b run counter to expectations: at the same level of education, individuals from higher-class backgrounds show more pronounced reactions to income gaps than those from lower-class origins. This suggests that rather than attaching fewer expectations to their trajectories, those from advantaged backgrounds may be more sensitive to threats of downward mobility. The finding invites a reconsideration of the assumption that lower-class individuals react more strongly to income frustration. Instead, class privilege might heighten entitlement, making economic setbacks feel more unjust. These results highlight a divergence between the effects of structural position and aspirational investment on political attitudes.

7 Conclusion

This paper has investigated the impact of unmet income expectations on attitudes towards the role of government in the economy using BHPS/US data from the United Kingdom from 1991 to 2023. Assuming that income expectations are a function of education attained by the individual and their work experience, I defined three different operationalisations of unmet expectations. The first is time-variant and is the gap between expected income and the income really earned by the individual. The second is time invariant and is the average gap between the income expected and the one really earned before the individual turns 30 years old. The third is time invariant and is the average gap between income expected during the first 5 years after labour market entry and the income earned.

I have demonstrated that, more than the time-varying measure, unmet expectations early in life are positively and significantly associated with higher support for economic interventionism over time. At similar levels of current income and with similar occupational status, an individual who did not meet their income expectations early in life is more supportive of government intervention in the economy later in life than one who lived up to their expectation. I have also shown that such an effect is mostly driven by stronger perceptions of unfairness of income inequality and market distrust, especially among individuals with higher educational attainments and from higher social class backgrounds.

While the explanatory power of these results remains limited within the boundaries of an observational analysis, the paper offers two main contributions. First, the operationalisation of income expectations reflects what people think is most likely to be achieved because of how much effort they put into education, following (Rueda and Stegmueller 2019). Moreover, the paper resonates largely with Kurer and Staalduinen (2022) in conceptualising unmet expectations as the gap between expected and observed values. I combine and move forward these two approaches, measuring the gap at a specific age range that reflects an individual's key life stages: their formative period and labour market entry. The second contribution is to provide evidence on novel mechanisms. Adding to the recent findings by Cox (2024), I show that unmet income expectations influence support for economic interventionism over time, mostly by making individuals believe less in the fairness of the market system. Additionally, the paper shows that people with higher educational levels feel more disappointment after not meeting their income expectations, suggesting that unmet income expectations may disrupt people's convictions about market meritocracy. Moreover, regardless of how much effort people put into education to improve their social mobility, unmet expectations are felt more negatively by individuals

coming from higher social class backgrounds. Interestingly, this evidence contributes to the debate on the political effect of parental social class (Ares and van Ditmars 2025; Ares and Ditmars 2023) by showing that people from less privileged backgrounds internalise disappointment as their own, more than blaming the economic system, possibly leading to economic preferences that are not in line with their material self-interest and paradoxically being less critical of market inequalities. Taken together, these results are novel and speak to a rich body of work on redistribution by enlightening that individuals rationalise their economic situation at present through a subjective lens inherited from formative experiences. Importantly, these findings will help shift our attention to subjective factors affecting attitudes and policy views, beyond the role of material self-interest immediately associated with income or occupation (Cavaillé 2023; Margalit 2019; Hvidberg et al. 2023; Trump 2021). Finally, the idea that people growing up through an experience of economic disillusionment are more supportive of state intervention in the economy and believe less in meritocracy holds relevant political implications that deserve closer scholarly attention, especially when this is likely to become a distinctive trait of the current young generations. This paper is limited in not directly test the causal effects of unmet expectations on attitudes and does not provide a causal interpretation of the impressionable years' hypothesis. Further work in this direction is needed to strengthen the claim that unmet expectations affect attitudes over time and that this holds if unmet expectations occur during impressionable years and not later.

References

Ahrens, L. (2019). Theorizing the impact of fairness perceptions on the demand for redistribution. *Political Research Exchange*, 1(1):1–17.

Alesina, A. and Angeletos, G.-M. (2005). Fairness and Redistribution. *American Economic Review*, 95(4):960–980.

Alesina, A., Stantcheva, S., and Teso, E. (2018). Intergenerational Mobility and Preferences for Redistribution. *American Economic Review*, 108(2):521–554.

Ansell, B. and Gingrich, J. (2017). Mismatch: University Education and Labor Market Institutions. *PS: Political Science & Politics*, 50(2):423–425.

Ares, M. and Ditmars, M. M. v. (2023). Intergenerational Social Mobility, Political Socialization and Support for the Left under Post-industrial Realignment. *British Journal of Political Science*, 53(2):536–554.

Ares, M. and van Ditmars, M. M. (2025). A life course approach to political preference formation across social classes. *West European Politics*, 48(4):951–976. Publisher: Routledge _eprint: https://doi.org/10.1080/01402382.2024.2415845.

Burgoon, B., Baute, S., and van Noort, S. (2023). Positional Deprivation and Support for Redistribution and Social Insurance in Europe. *Comparative Political Studies*, 56(5):655–693.

Cavaillé, C. (2023). *Fair Enough?: Support for Redistribution in the Age of Inequality*. Cambridge Studies in Comparative Politics. Cambridge University Press, Cambridge.

Cox, L. (2024). Great expectations: The effect of unmet labor market expectations after higher education on ideology. *American Journal of Political Science*, n/a(n/a).

Dinas, E. (2012). The Formation of Voting Habits. *Journal of Elections, Public Opinion and Parties*, 22(4):431–456.

Dinas, E. (2013). Opening "Openness to Change": Political Events and the Increased Sensitivity of Young Adults. *Political Research Quarterly*, 66(4):868–882.

Evans, G. (1993). Class, Prospects and the Life-cycle: Explaining the Association between Class Position and Political Preferences. *Acta Sociologica*, 36(3):263–276. Publisher: SAGE Publications Ltd.

Filippin, A. and Ichino, A. (2005). Gender wage gap in expectations and realizations. *Labour Economics*, 12(1):125–145.

Grasso, M. T., Farrall, S., Gray, E., Hay, C., and Jennings, W. (2019). Thatcher's Children, Blair's Babies, Political Socialization and Trickle-down Value Change: An Age, Period and Cohort Analysis. *British Journal of Political Science*, 49(1):17–36. Publisher: Cambridge University Press.

Green, A. (2017). *The Crisis for Young People*. Springer International Publishing, Cham.

Hacker, J. S., Rehm, P., and Schlesinger, M. (2013). The Insecure American: Economic Experiences, Financial Worries, and Policy Attitudes. *Perspectives on Politics*, 11(1):23–49.

Häusermann, S., Kurer, T., and Zollinger, D. (2023). Aspiration Versus Apprehension: Economic Opportunities and Electoral Preferences. *British Journal of Political Science*, pages 1–22.

Heckman, J. J., Lochner, L. J., and Todd, P. E. (2006). Chapter 7 Earnings Functions, Rates of Return and Treatment Effects: The Mincer Equation and Beyond. In Hanushek, E. and Welch, F., editors, *Handbook of the Economics of Education*, volume 1, pages 307–458. Elsevier.

Helgason, A. F. and Rehm, P. (2023). Long-term income trajectories and the evolution of political attitudes. *European Journal of Political Research*, 62(1):264–284.

Hvidberg, K. B., Kreiner, C. T., and Stantcheva, S. (2023). Social Positions and Fairness Views on Inequality. *The Review of Economic Studies*, 90(6):3083–3118.

Iversen, T. and Soskice, D. (2019). *Democracy and Prosperity: Reinventing Capitalism through a Turbulent Century*. Princeton University Press. ISBN: 9780691182735.

Jennings, M. K. and Niemi, R. G. (1968). The Transmission of Political Values from Parent to Child. *American Political Science Review*, 62(1):169–184.

Kurer, T. and Staalduinen, B. V. (2022). Disappointed Expectations: Downward Mobility and Electoral Change. *American Political Science Review*, 116(4):1340–1356.

Lemieux, T. (2006). The "Mincer Equation" Thirty Years After Schooling, Experience, and Earnings. In Grossbard, S., editor, *Jacob Mincer A Pioneer of Modern Labor Economics*, pages 127–145. Springer US, Boston, MA.

Margalit, Y. (2019). Political Responses to Economic Shocks. *Annual Review of Political Science*, 22(1):277–295.

Meltzer, A. H. and Richard, S. F. (1981). A Rational Theory of the Size of Government. *Journal of Political Economy*, 89(5):914–927.

Pahontu, R. L. (2022). Divisive jobs: Three facets of risk, precarity, and redistribution. *Political Science Research and Methods*, 10(3):507–523.

Rehm, P. (2009). Risks and Redistribution: An Individual-Level Analysis. *Comparative Political Studies*, 42(7):855–881.

Roemer, J.-E. and Wets, R.-J.-B. (1994). Neighborhood Effects on Belief Formation and the Distribution of Education and Income. *Papers*, (94-02).

Rueda, D. and Stegmueller, D. (2019). *Who Wants What?: Redistribution Preferences in Comparative Perspective*. Cambridge University Press.

Sandel, M. J. (2021). *The Tyranny of Merit*.

Smith, H. J. and Pettigrew, T. F. (2015). Advances in Relative Deprivation Theory and Research. *Social Justice Research*, 28(1):1–6.

Trump, K.-S. (2021). Public Opinion and Reactions to Increasing Income Inequality. In Rosenbluth, F. M. and Weir, M., editors, *Who Gets What?: The New Politics of Insecurity*, SSRC Anxieties of Democracy, pages 79–102. Cambridge University Press, Cambridge.

van Staalduinen, B. and Zollinger, D. (2024). Perceptions of Social Mobility, Gender, and Progressive Politics. *Comparative Political Studies*, page 00104140241306939. Publisher: SAGE Publications Inc.

Yeandle, A., Green, J., and Corre, T. L. (2024). Economic Hardship and Support for Redistribution: Synthesising Five Themes in the Literature. *Political Studies Review*, 22(4):1064–1073. Publisher: SAGE Publications.

Appendix

7.1 Data description

The figure below provides insights into the dataset structure. It shows the distribution of age in the dataset. The sample includes respondents whose age is at a minimum within the 16-25 age range. Longitudinally, the dataset includes observations around 20 to 50 years old, meaning that for some individuals, not all of them, I can observe the full 30-year long time (from 1991 to 2023).

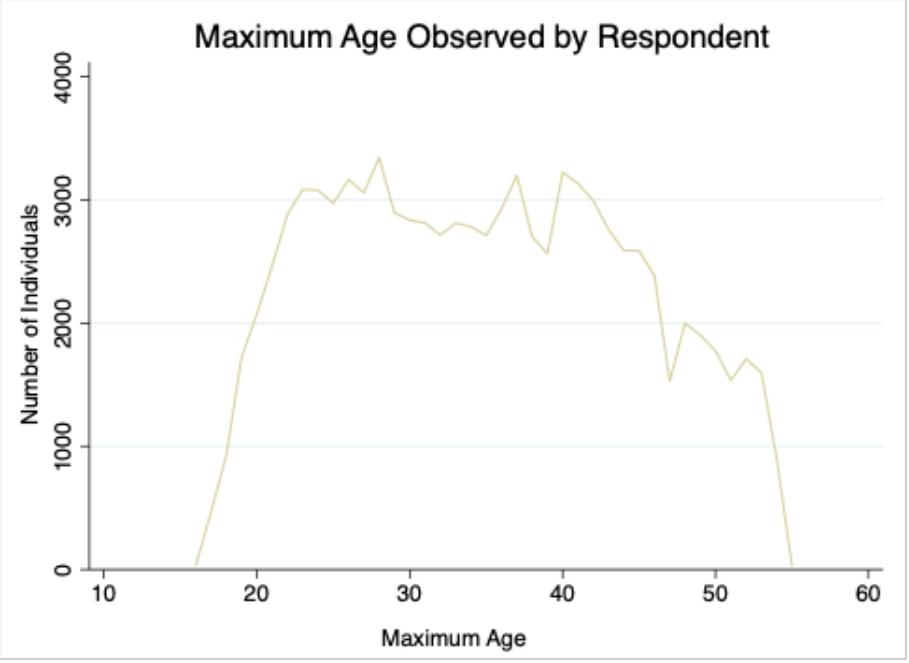


Figure 5: Age distribution in the dataset

Below, I show the distribution of observations for the income variable used in the analysis, personal annual gross income. On the left end side of the figure, annual income is highly skewed towards 0. On the right end side, the log transformation of income compensates for this issue and provides a normal distribution of the variable. Log annual gross income is the variable used in the analysis.

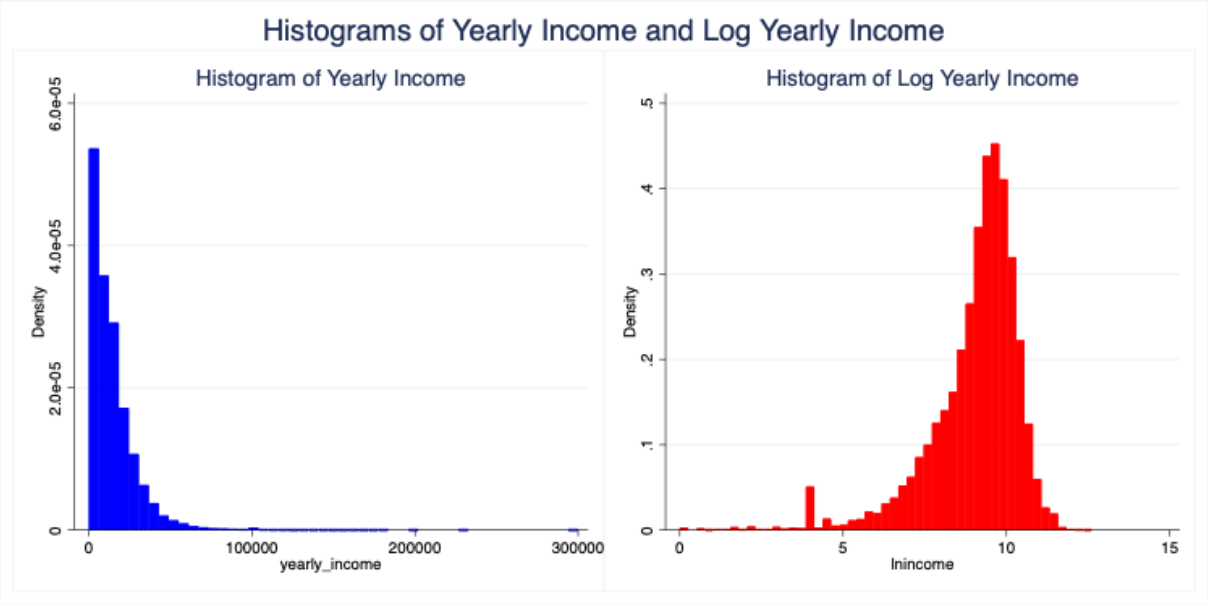


Figure 6: Distribution of annual income and log transformation of annual income

The following table reports the output of a random effects regression with panel data. The model is used to predict income for respondents based on key predictors of income expectations. The model aims to reflect how individuals for expectations about income and to produce an estimate of this amount based on the available information in the dataset.

I estimate the individual-specific expected values of income after labour market entry and plot them against age. Storing mean values at each age point, the figure below provides a visual example of the aimed measure – the gap between model-predicted income and the one observed in the survey. As the figure shows, the model-estimated income after labour market entry tends to be higher than what individuals earn in reality, at least until their mid-20s. Later, the absolute income tends to overcome expectations and the residual variation to decrease.

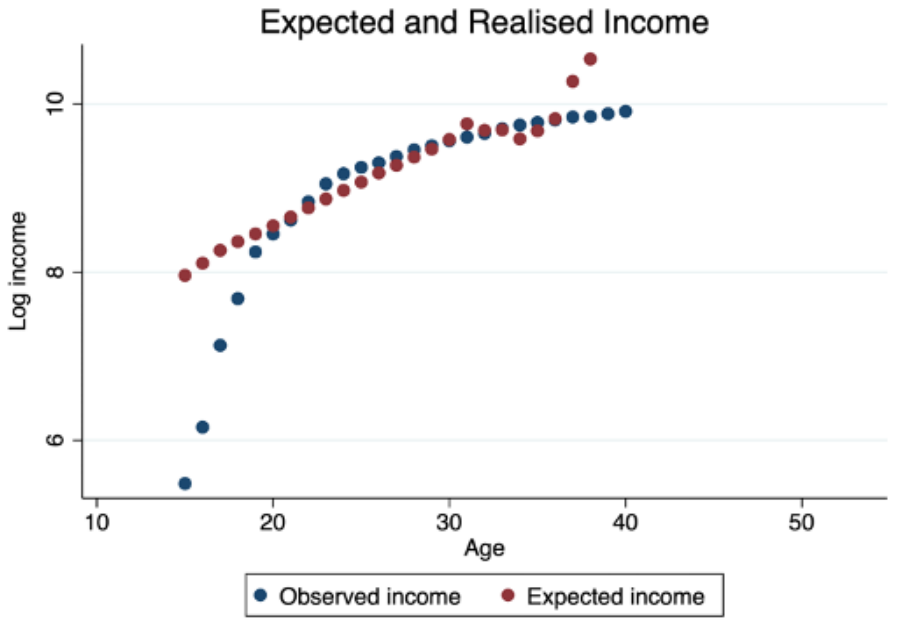


Figure 7: Average expected and observed log income by age

The figures below show the distribution and kernel density plot of the two main independent variables, whose descriptive statistics are in the many texts, resulting from the procedure described in the paper. Subtracting real observed income from the model estimated one, the resulting variables are then transformed into a 10-point index. In the first figure, expectations are based only on education and years of work experience – the Mincer model. In the second figure, expectations are based on more factors which also include parents' class, gender, and ethnicity.

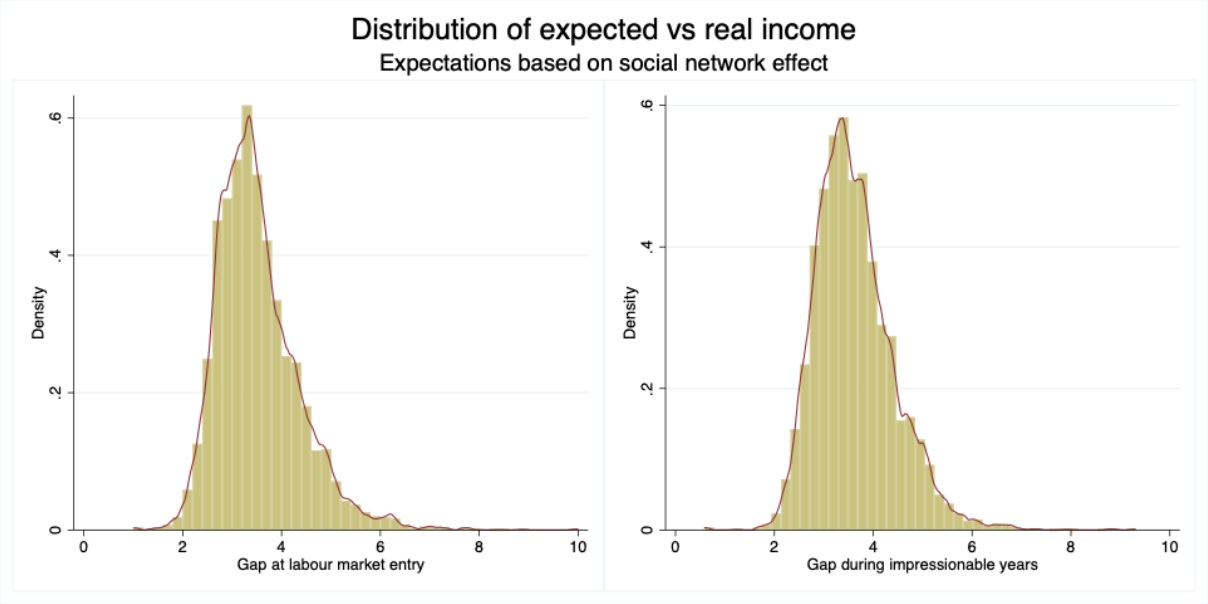


Figure 9: Histogram of independent variables when expectations are based on social network (robustness check).

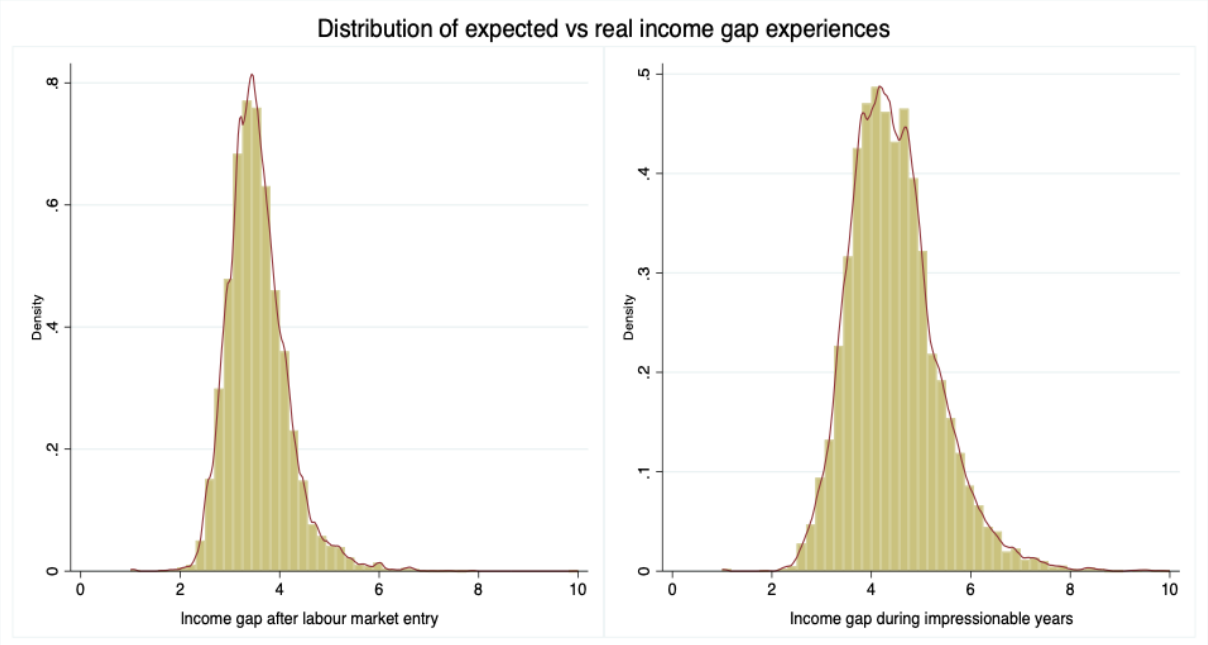


Figure 8: Histogram of the independent variables when expectations are based on education (Rueda and Stegmueller model).

7.2 Descriptive statistics of the outcome variables. Redistribution attitudes and fairness beliefs

Outcome variables	Obs	Mean	SD	Min	Max
Redistribution	31,714	3.176421	1.040533	1	5
Market distrust	30,400	3.155921	.7926381	1	5
Fairness beliefs	31,736	3.523822	.9816657	1	5

7.3 Heterogeneity analysis and robustness checks: main effect across life phases

Here, I provide evidence that unmet expectations matter if happening early in life. Since my modelling strategy assumes unmet expectations as time-invariant and time-specific and thus cannot account for individual fixed effects, I test the impact of unmet expectations on social protection attitudes across different life phases. Figure 9 shows that the effect of experiencing unmet income expectations is significant only when individuals are in their early adulthood, while it is not significant if happening during adulthood.

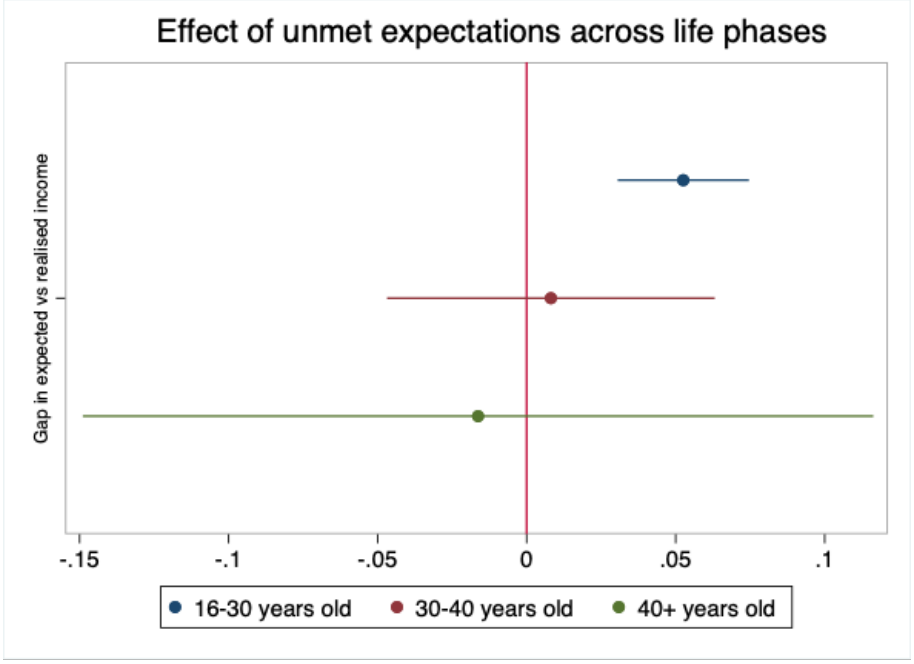


Figure 10: Point estimates of unmet expectations on social protection attitudes across life phases. Gaps reflect contemporaneous differences in predicted vs observed income at different age ranges. Expectations are benchmarked on education and years of work experience. Random effects models with individual-level intercepts and standard errors clustered at the individual (group) level.

7.4 The role of the social network

Rueda's and Stegmueller's model is consistent with the assumption that individuals set their income expectations based on the effort put into education. Most importantly, it allows us to unveil how people perceive their underachievement as unfair and thus decrease their beliefs in meritocracy. Yet, it remains very parsimonious in assuming how individuals form income expectations. From the perspective of a social proximity approach (Roemer and Wets 1994; Ahrens 2019), it is plausible to think that individuals set their income expectations by learning from the social context where they grow up.

Thus, as a robustness check, I extend Rueda's and Stegmueller's approach, proposing a model where individuals benchmark their expectations to the performance of people in their social network with similar demographic characteristics. In this way, I address the problem of self-selection into unmet expectations more directly, taking out from the error term important sources of unobserved heterogeneity due to factors that individuals account for when producing income expectations. I use a categorical operationalisation of education because individuals equate their aspirations more to the educational attainments of people like them than to how much time they spend in education. Moreover, I include gender and ethnicity in the model as they notably represent the main demographic factors influencing labour market opportunities, and plausibly individuals anticipate the advantages and disadvantages associated with demographic characteristics when self-assessing their life-long income profile (Filippin and Ichino 2005). Furthermore, priors of economic socialisation are known to be transmitted first through family education (Jennings and Niemi 1968). I expect that individuals adjust their income aspirations by taking inspiration from the adults proximate to them. I define my second income expectations model as follows:

$$\text{Log yearly gross personal income}_{it} = \alpha_i + \sum_{i}^{(t=0)} w_{it} + \eta_i + \varepsilon_{it}$$

Where the vector w stands for the following predictors:

- Education attained: a categorical variable including university degree, other higher degree, A-levels, GCSE, other lower qualifications, and no qualification attained.
- Years of work experience: a measure of time in the labour market.
- The interaction between education and years of work experience.
- The quadratic transformation of years of work experience.
- Gender, as a binary variable.
- Ethnicity: a categorical variable differentiating nine ethnic groups.
- Family socialisation: I proxy it through the parental social class.