

Unmet Expectations and Attitudes Towards the Role of Government

The long-term effects of early-life experiences

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Recent trends in the labour market

- Rising economic insecurity in advanced democracies particularly affects young people transitioning into the labour market:
 - Highly educated outsiders (Häusermann et al. 2015).
 - Declining economic rewards - income or occupation - to education (Ansell and Gingrich 2021).
 - Technological innovations and changing skill demand (Acemoglu et al. 2022).

Research question

- Do early-life unmet economic expectations affect attitudes towards the role of government in the economy?

The role of early-life expectations

- What we know:
 - The mismatch between expected and real occupation based on skills attainment increases political dissatisfaction (Ansell and Gingrich 2017).
 - Unmet expectations increase pro-government attitudes (Cox 2024).
 - Past expectations shape how individuals subjectively rationalise their experiences of risk/success (Kurer and Staalduinen 2022).
- What we do not know:
 - The lasting effect of early-life unmet expectations.
 - The impact on attitudes net of interest associated with current income.
- ◇ Do unmet expectations drive individuals to rely more on subjective than objective reasoning when assessing their attitudes towards government activity in the economy?

The consequences of unmet expectations

- Individuals benchmark their expectations on relevant reference points: education (Sandel 2021) or social proximity (Roemer and Wets 1994).
- They make cognitive comparisons between their reference point and their achievement to assess the fairness of their outcomes (Burgoon et al 2023).
- During formative years, individuals are more open to changing their attitudes, with lasting effects (Dinas 2013).

Main hypothesis: early-life unmet expectations and lasting pro-government attitudes

- H1: With similar levels of current income, individuals with early-life experiences of unmet income expectations are more likely to support government activity in the economy later in life than individuals whose early-life expectations have been met.

Mechanisms: early-life unmet expectations and the development of unfairness beliefs

- H2a: With similar levels of current income, individuals with early-life unmet income expectations are more likely than others with different early-life experiences to believe that society is unfair and that economic outcomes are outside the control of the individual later in life.
- H2b: At similar levels of education and income attained, individuals from higher-class backgrounds who experience early life unmet income expectations have higher unfairness beliefs later in life than those from lower-class backgrounds with the same experience.

- Panel data: 30 Harmonised waves from the British Household Panel Survey and Understanding Society (1991 - 2023).
- 9013 individuals with at least 2 time-varying observations of income.
- Respondents whose minimum age observed is 16-25. For nearly 3000, observations cover until 45-50 years old.

Measuring unmet expectations

- Yearly gross person income

$$\log Y_{it} = \alpha_i + \sum_i^{(t=1)} w_{it} + \eta_i + \varepsilon_{it}$$

- 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 of labour market participation.
 - The interaction between education and years of work experience.
 - The quadratic transformation of years of work experience.

- Log income gap during impressionable years

$$Y_i = E \left[\hat{Y} \right]_{it_{16-30}} - Y_{it_{16-30}}$$

- Log income gap at labour market entry

$$Y_i = E \left[\hat{Y} \right]_{it} - \bar{Y}_{it+1}$$

Descriptives and Validation

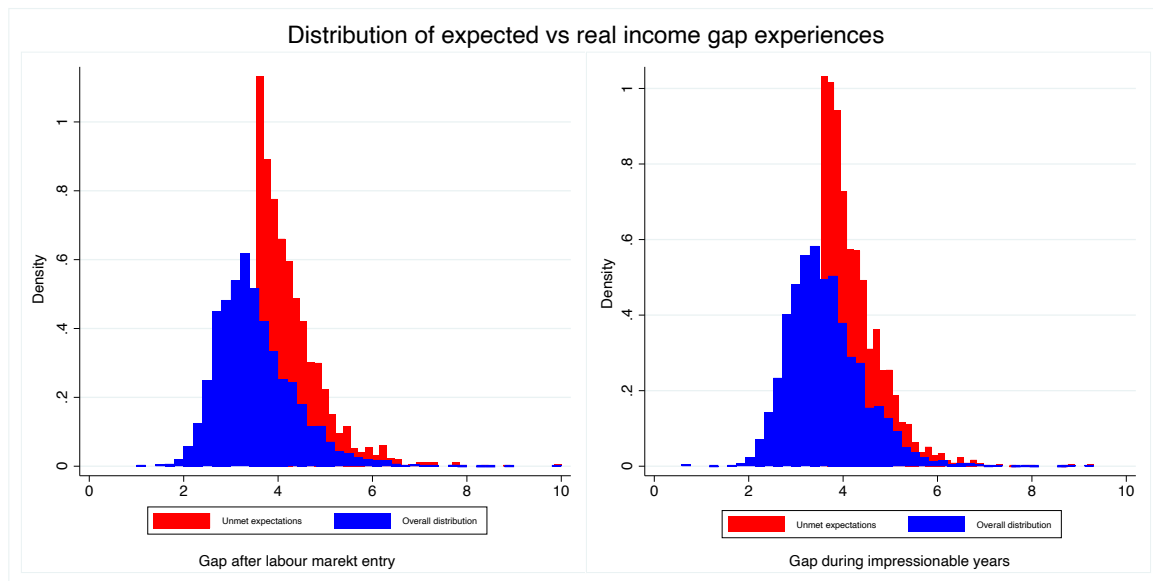


Figure 1: Distribution of independent variable

DV: satisfaction with income	M1	M2	M3
Average early life experiences	-0.505*** (0.07)		
Log income gap in formative years		-0.111* (0.05)	
Lag income gap at labour market entry			-0.172*** (0.04)
Controls	YES	YES	YES
N	6472	3495	12684

Table 1: Validation of unmet expectations variable. Unmet expectations predict individual-level satisfaction with income over time. Models are random effects panel data regression with random intercepts for respondents and standard errors clustered at the individual (group) level. Controls are current income, age, time and year of birth.

- Random effect model controlling for both time-varying - time, age, and occupational status - and time-invariant predictors - birth cohort, gender, ethnicity, and parental social class – as fixed effects. The main control is current income.

$$Y_{it} = \alpha_i + \text{Early income gap}_i + W_{i,t} + \eta_i + \varepsilon_{it}$$

- DV1: "The state should provide a job to everyone" (5 points Likert).
- DV2: "Private enterprises solve economic problems for all" (5 points Likert).
- DV3: "There is one law for the rich and one for the poor" (5 points Likert).

Unmet expectations and attitudes towards the role of government

Effects of unmet expectations on redistributive attitudes

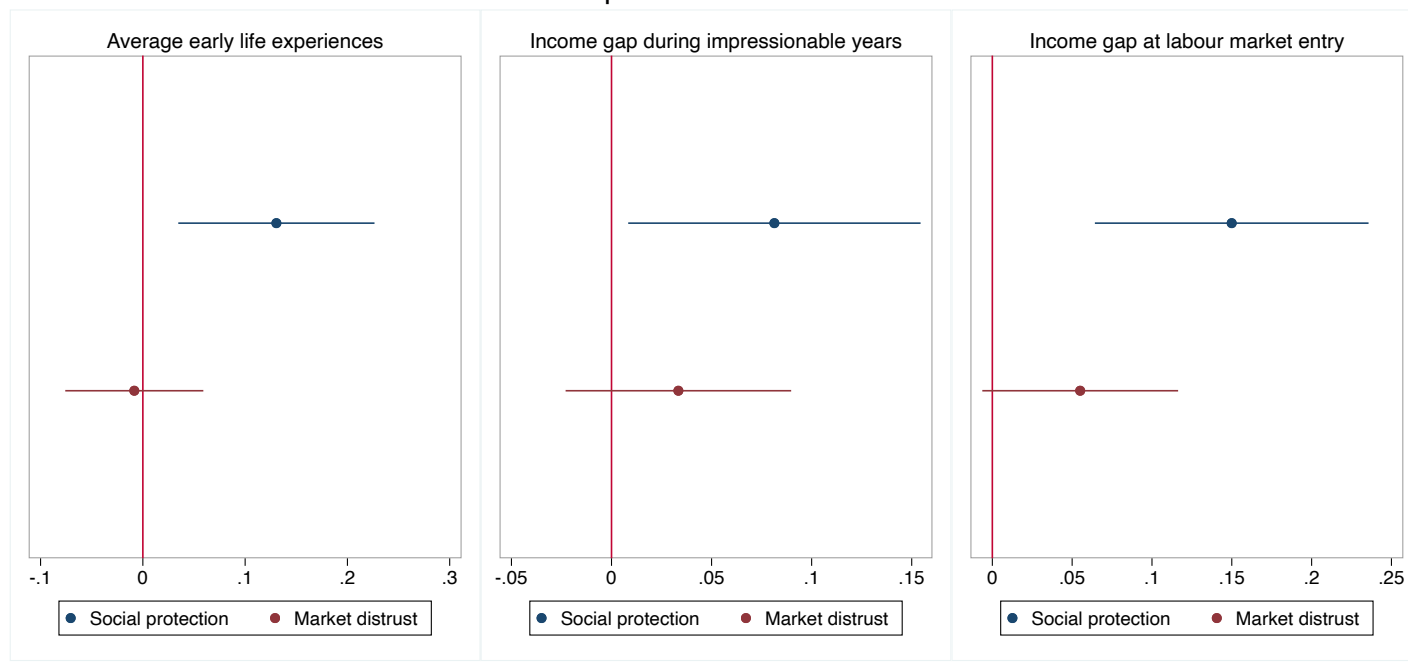


Figure 2: Point estimates. Models are random effects panel data regression with random intercepts for respondents and standard errors clustered at the individual (group) level. Controls are current income, current occupation, age, gender, ethnicity, parental social class, year of birth and time.

Unmet expectations and unfairness beliefs

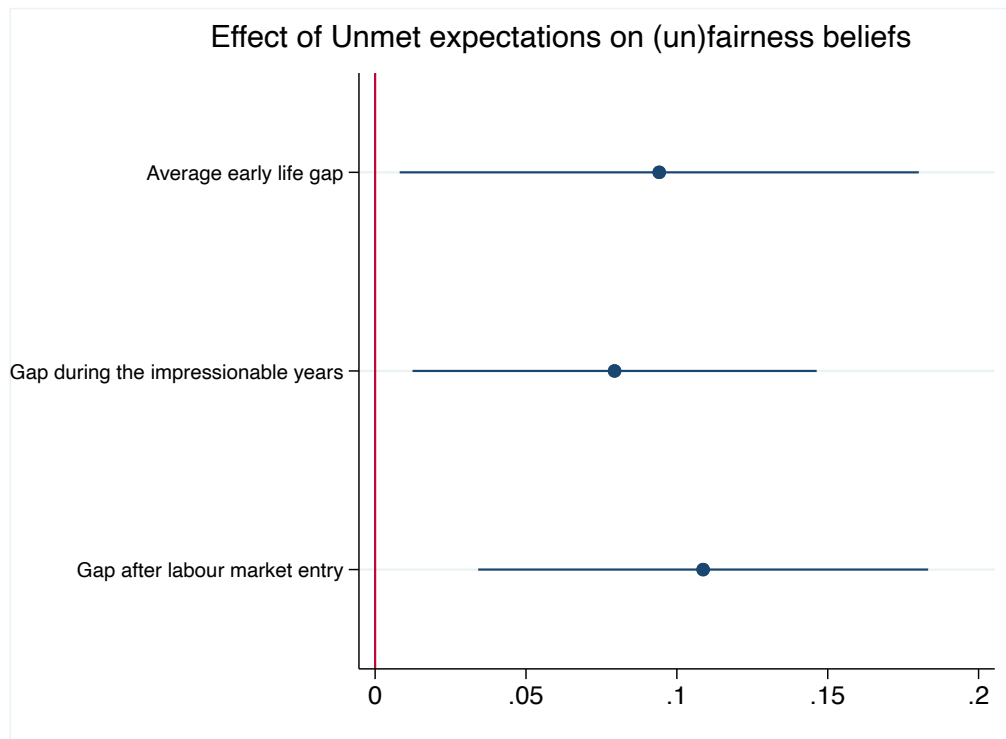


Figure 3: Point estimates. Models are random effects panel data regressions with random intercepts for respondents and standard errors clustered at the individual (group) level. Controls are current income, occupational status, age, gender, ethnicity, parental social class, year of birth, and time. The outcome variable is the responses to the statement “There is one law for the rich and one for the poor”, where higher values correspond to “strongly agree”.

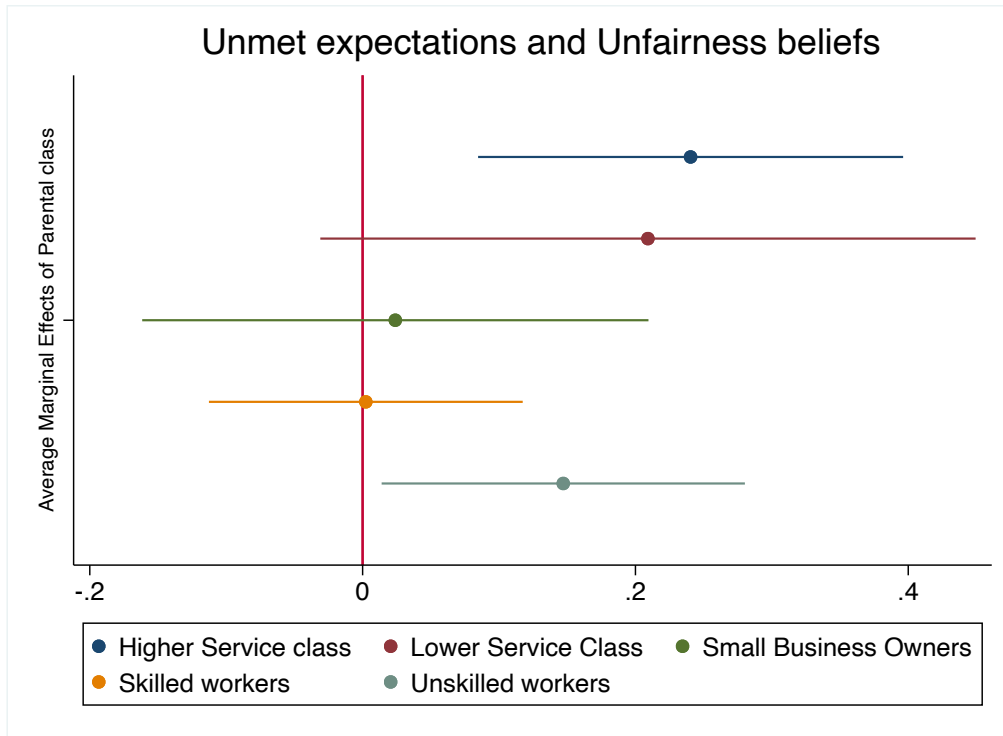


Figure 4: Average marginal effects. Models are random effects panel data regression with random intercepts for respondents and standard errors clustered at the individual (group) level. Controls are current income, occupational status, age, year of birth, time and graduate education attained before labour market entry. Unskilled workers are the baseline categories used to estimate AMEs.

Discussion and Conclusion

- Early-life unmet expectations shape pro-government attitudes with lasting effects, possibly via triggering higher unfairness beliefs.
 - Across individuals with similar income, unmet income expectations early in life are associated with a 3% higher support for social protection over time, as well as 3% higher unfairness beliefs. Among individuals from higher social class backgrounds, unfairness beliefs are 5% higher.
- Contributions:
 - New evidence on the political consequences of downward mobility, possibly lasting effects for people transitioning from education into the labour market.
 - New evidence on the role of subjective components of economic attitudes irrespective of current income.