

## **Political Coalitions and Willingness to Pay Taxes**

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### **Abstract:**

Support for additional public spending is widespread in advanced industrial democracies, but few voters are willing to raise their own tax burden: most voters want to fund additional spending by shifting the tax burden to high-income individuals. This study aims to identify which voters are willing raise their own taxes to fund additional spending. Using the ISSP cross national surveys on the role of government conducted in 2016, I analyze if occupational status and preferences for specific types of public expenditures, namely investment and consumption (the two main categories of expenditures in this dissertation), are related to individuals' willingness to pay. Few studies have tested if the expenditure preferences of different constituencies, defined by their occupational status, are related to their preferences for taxation. This is a blind spot in the literature since the tax policy preferences could contribute to tensions within political coalitions. I find that voters who want more investments in education and environment tend to support higher taxes in general. These voters are often highly educated sociocultural professionals, the new core constituency of center-left coalitions. In contrast, voters who want more consumption spending in health care, unemployment and pensions tend to believe that taxes on their own income group are too high and would prefer to shift the tax burden on the rich. These voters are often relatively poor, low-skilled service or production workers, the traditional core constituency of center-left parties. Thus, tax policy preferences contribute to tensions within the typical social-democratic coalition. In contrast, the tax policy preferences of the main center-right constituencies are not significantly different, suggesting that tensions regarding tax policy preferences are more severe for the center-left coalition than for the center-right coalition.

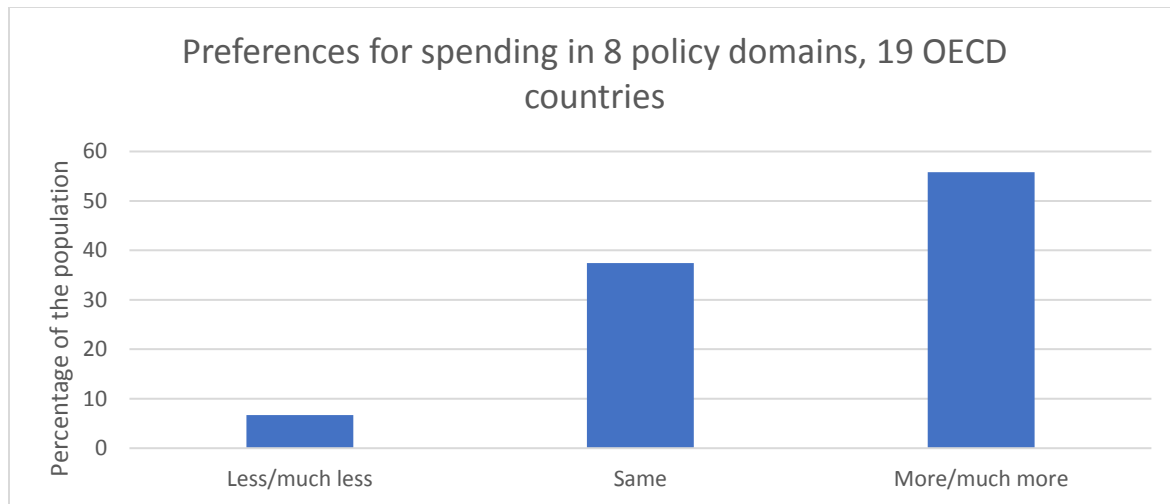
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## Section 1. Introduction

Left-wing political parties often propose to fix social problems by taxing the rich in order to increase government spending. For example, the left wing of the Democratic party in the United States, represented by Elizabeth Warren or Alexandria Ocasio Cortez, propose to fund ambitious spending plans by taxing wealth or raising top marginal tax rates. During Quebec's last provincial election, Québec Solidaire proposed to raise public spending by 10% by raising taxes on wealthy individuals and corporations, while avoiding to increase the tax burden of the middle class. Interestingly, these propositions are coherent with the preferences of a large proportion of the population: strong majorities desire additional public spending, but would prefer to limit tax increases to high-income citizens.

**Figure 1.**



Source: ISSP 2016

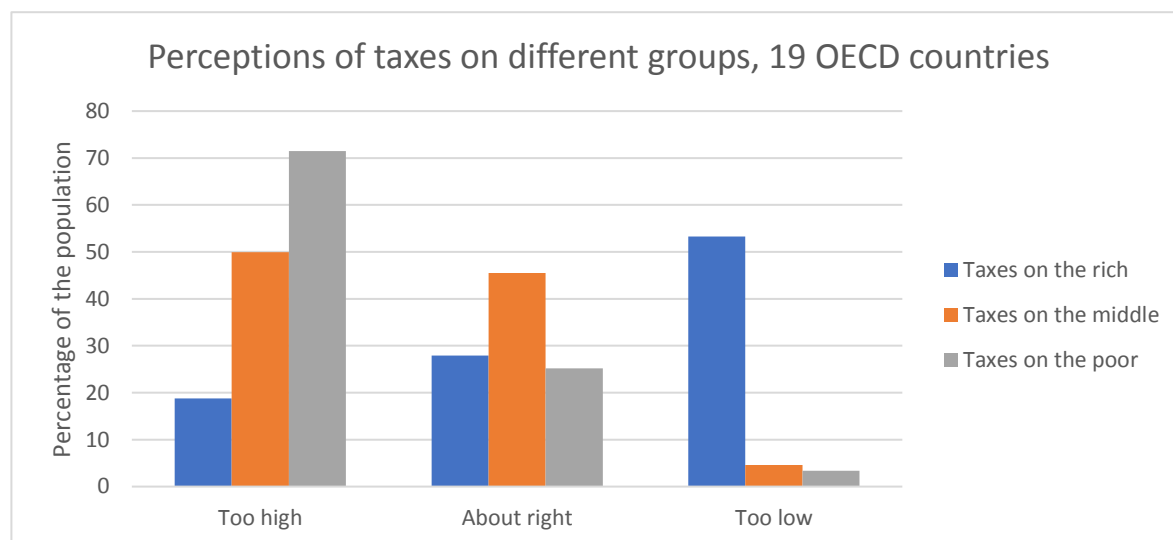
Figure 1 reveals that in the 19 OECD countries surveyed by the International Social Survey Program (ISSP), less than 7% of respondents want to decrease public spending, while more than 55% of them want to increase it, even if it requires higher taxes<sup>1</sup>. However, it seems that citizens are not necessarily willing to pay more taxes themselves when they think about funding additional public spending: they tend to prefer to shift the additional tax burden on the rich. Indeed, figure 2 reveals that more than half the population consider that taxes on the rich are too low, while fewer than 5%

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<sup>1</sup> Other surveys (BSA, INVEDUC, ESS, etc.) display very similar results.

of the population think that taxes on individuals with middle or low income are too low. This suggests that the modal respondent prefers higher tax progressivity (higher taxes on the rich and lower taxes on the poor), but that few citizens want to increase overall levels of revenues (Barnes 2015). Respectively one half and almost three fourths of the population think that taxes on the middle and the poor are too high, suggesting that increasing taxes on these groups might be politically difficult.

**Figure 2**



Source: ISSP 2016

Wanting to fund additional spending by taxing the rich might actually represent a “something for nothing” preference, since most voters perceive themselves to be in the middle class, even if they are considerably richer than their co-citizens (Evans and Kelly 2004). Hence, when a survey respondent asks governments to “tax the rich” to fund more expenditures, she might actually be thinking about taxing an outgroup, while refusing to pay a higher tax burden herself. Unfortunately, concentrating tax increases on the rich is unlikely to raise enough revenues to fund significantly higher expenditures. Tax competition, the high elasticity of rich citizen’s income and wealth to taxation and the small number of high-income citizens limit the potential amount of revenues to extract from higher taxation on the rich (see chapter 1 of this dissertation, but also this chapter’s appendix).

Hence, governments wishing to significantly increase public spending faces a conundrum: clear majorities of citizens want higher spending, but they seem unwilling to increase their own tax burden to pay for it. One of the defining issues facing progressive parties is to convince voters to

increase their own tax burden to maintain a sustainable funding base for the welfare state. Without higher revenues, additional spending in one area has to be funded by cutbacks elsewhere in the welfare state, which leads to difficult arbitrations and to tensions within progressive parties' coalitions (Beramendi et al. 2015; Hausserman 2018). Otherwise, unfunded public spending will raise public debt, which can lead to subsequent fiscal consolidations to reduce deficits, cutting back spending in the future (see chapter 3 in this dissertation).

This study aims to identify which voters are willing to pay higher taxes themselves to fund additional spending. I analyze whether occupational status and preferences for specific types of public expenditures, namely investment and consumption (the two main categories of expenditures of this dissertation), are related to individuals' willingness to pay. Constituencies of voters classified by occupational status tend to express relatively similar preferences for expenditures (Kitschelt and Rehm 2014; Hausserman and Kriesi 2015; Oesch 2015). However, very few studies have analyzed whether the expenditure preferences of different constituencies are related to their preferences for taxation. This is a blind spot in the literature since the tax policy preferences of different constituencies could contribute to the tensions within political coalitions. Do the tax policy preferences of the different constituencies of a political coalition diverge and reinforce intra-coalition tensions? Do the tax policy preferences of pro-consumption voters systematically differ from those of pro-investment voters? Finally, which voters, classified by occupational status, are more likely to accept higher tax burden?

I find that voters who want more investments in education and environment tend to support higher taxes in general. This finding is driven by highly educated sociocultural professionals, who are the most pro-investment and the most willing to pay constituency. In contrast, voters who want more consumption spending in health, pensions and unemployment tend to prefer lower levels of taxes on their own group. Thus, tax policy preferences contribute to tensions within the typical social-democratic coalition of low-skilled service and production workers and socio-cultural professionals, since the former prefer consumption expenditures, would like to fund additional spending by raising taxes on the rich and are reluctant to raise their own tax burden. Hence, the traditional distinction between the working class and the middle class is irrelevant regarding tax politics: working-class voters want more redistribution than middle class sociocultural professionals, but the latter are clearly more willing to sustain higher levels of taxes. In fact, relatively poor respondents are unwilling to sustain higher tax burden.

Socio-cultural professionals differ from their other “middle class” counterparts, business professionals, who are amongst the most opposed groups to taxation. Business professionals, along with small business owners, are the core constituencies of the center-right coalition. Their tax policy preferences do not diverge significantly, except regarding the taxation of high-income individuals: small business owners want lower taxes in general but higher taxes on the rich, while business professionals want lower taxes across the board. However, this difference is not statistically significant, suggesting that tensions regarding tax policy preferences are more severe for the center-left coalition than for the center-right coalition. In fact, low-skilled service and production workers’ preference for consumption, higher taxes on the rich and lower taxes on middle and low incomes resemble the preferences of small business owners, making both groups a potential clientele of populist parties proposing policies along these lines.

The next section develops the theoretical considerations behind these questions. It synthesizes the literature on two-dimensional political competition and on the preferences of different occupational groups to highlight that tax policy preferences have been left aside in this line of research. Then, it discusses why taxing the rich tends to be very popular while taxes on the middle class are despised and conceptualizes how preferences for additional spending in different policy domains, namely preferences for long-term investments and short-term consumption, should interact with willingness to pay taxes. The empirical section uses the ISSP 2016 survey to classify respondents by occupations and analyze their preferences for taxing and spending. The fourth section discusses the results in light of the tensions tax policies preferences poses within potential political coalitions.

## 2. Theory: preferences for taxes and spending

### 2.1. Taxation and political coalitions.

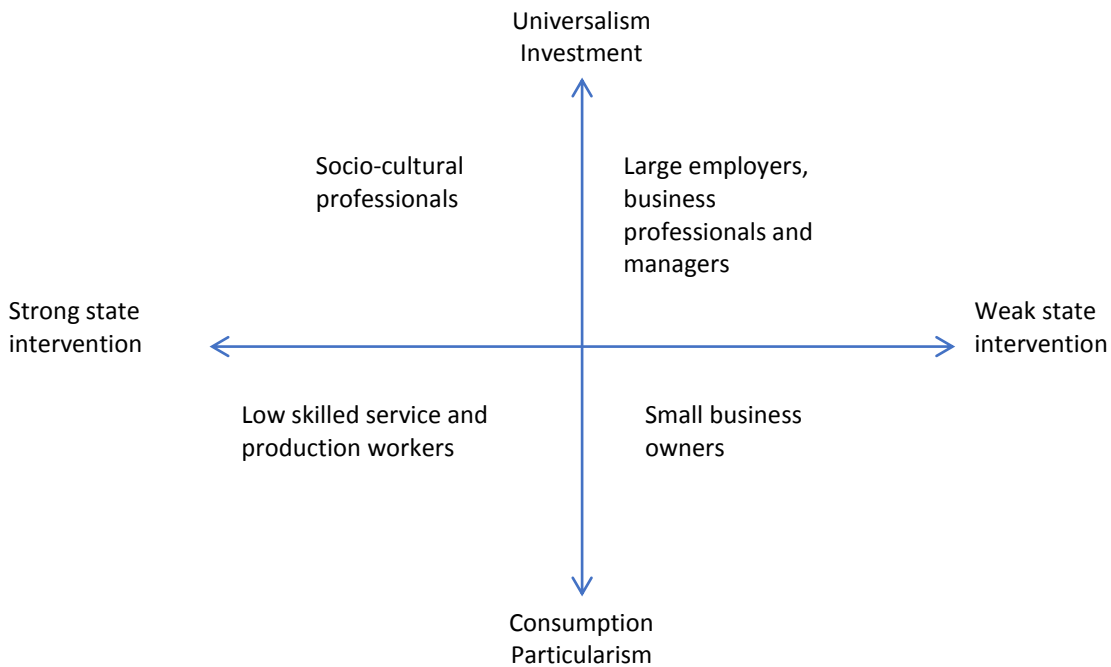
While the determinants of preferences for public spending have been extensively theorized in the literature on political behaviour and on comparative welfare states, the relationship between preferences for expenditures and taxation remain understudied. I aim to theorize how preferences for the two main categories of expenditures conceptualized in this dissertation can be related to willingness to pay taxes or to the desire to shift the tax burden to another group. This dissertation divides public budgets into two main ideal-typical components: investments and consumption. In a nutshell, consumption aims to boost aggregate demand and to replace income losses in the short term. It includes all social cash transfers as well as health care. Investments aim to boost the supply side of the economy and to foster human or physical capital accumulation in the long term. Investments include research and development, public infrastructure projects, education and environmental protection. Although investments can offer short-term rewards, prioritizing investments instead of consumption involves discounting short-term benefits to favor long-term objectives.<sup>2</sup>

As discussed in the theoretical section of the dissertation (chapter 2), the political space can be divided along two main cleavages: the economic cleavage between voters wanting more or less state intervention and the universalistic/particularistic divide, which represents the political conflict between social values (God, gays and guns), immigration and globalization. According to studies in political economy and political sociology, the preferences of different occupational groups cluster along the two by two matrix depicted in figure 3, which is inspired by the main theoretical framework of *The Politics of Advanced Capitalism* (Beramendi et al. 2015). Personality traits are associated with political preferences and with the choice of occupation, while daily professional experience shape political preferences. Thus, there is an endogenous relationship between occupations and political preferences caused by self-selection, but occupations also have an independent effect on preferences (Kitschelt and Rehm 2014). In the analysis below, I use the ISSP data to confirm that different occupations' preferences fit into the political space described in figure 3.

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<sup>2</sup> See chapter 2 of this dissertation for a detailed conceptual discussion of the distinction between investment and consumption.

**Figure 3. Occupations and preferences in the politics of advanced capitalism.**



Political parties aim to build coalitions between these groups of voters. The typical center-left coalition is composed of sociocultural professionals and of low-skilled service and production workers, while the typical center right coalition comprises small business owners and business professionals. Each groups' size and influence depend on previous political economic and welfare state arrangements (Beramendi et al. 2015). Voters having more universalistic preferences tend to favor more investment relative to consumption, but occupational groups with similar preferences about universalism can have very different preferences concerning state intervention (Hausserman and Kriesi 2015; Hausserman 2018; Kraft 2017). The rise of the universalistic/particularistic cleavage creates a tension within traditional political coalitions whose constituencies tend to agree on state intervention and redistribution but disagree on the universalistic/particularistic divide. This multidimensional politics opens up space for the formation of new coalitions. Oesch and Rennwald (2018) describe the emergence of a tripolar political space in Europe (center-left, center-right and radical right), where the center-left and the center-right compete with the radical right for the support of the working class and small business owners, who are attracted by the radical right promise for higher social consumption (for natives) and particularistic policies.

However, such a perspective on the contemporary political space neglects voters' tax policy preferences. In fact, most classical political economy models assume rather that voters hold simplistic preferences regarding taxation: those who prefer more state intervention want higher taxes, while voters who prefer less state intervention want lower taxes (Iversen and Soskice 2006). However, it is plausible to believe that some interventionist voters have a preference for tax progressivity (more taxes on high-income individuals) but would not accept to pay higher levels of taxes themselves, while others would accept higher levels of taxes overall (Barnes 2015; Roosma 2017).

Building on political economy models assuming that voters want to reduce their own tax burden while maximizing the amount of public services they receive (Meltzer and Richards 1975), research has shown that voters prefer to shift the tax burden towards high-income individuals and prefer to reduce taxes on lower and middle-income citizens (Ballard-Rosa et al. 2017; Barnes 2015; [Bechtel et al. 2018](#); Hays 2003; Lu and Scheve 2016; Roosma et al. 2015; Trump and Cavaillé 2015). A large proportion of voters, especially of right-wing citizens, perceives that the middle class is overburdened (Barnes 2015; Roosma et al. 2015). Thus, research has shown that voters generally support progressive taxation, especially when the income distribution is perceived as unfair (Limberg 2018; Scheve and Stasavage 2016) or when respondents do not consider that individual effort is responsible for economic success (Hennighausen and Heinemann 2015). Still, perception of the tax burden on different groups tend to be polarized along income lines and ideology, especially when direct taxes at the national level are high (Jaime-Castillo and Saez Lozano 2016).

This support for progressive taxation found in survey research reflects a misperception about the real income distribution : few voters perceive themselves to be within the “high income” category, as citizens tend to believe they are part of the “middle class” even if, by any relative measure of income, they are objectively richer than where the middle class would fit in the income distribution<sup>3</sup> (Genest-Grégoire et al. 2017; Evans and Kelly 2004). In fact, Karadja et al. (2017) find that people perceive to be poorer than they actually are. This suggests that when voters mention they would prefer to tax the rich, they are rarely considering themselves to be rich and hence, they are revealing that they want to spread the burden of additional taxes on other groups. In this sense, high-income voters are perceived as an outgroup, sometimes undeserving of its wealth (McCall 2012; Prabakar 2012), on which

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<sup>3</sup> For example the 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> quintile of the income distribution of the population.



respondents would like to shift the tax burden on. In brief, I expect that most respondents prefer higher taxes on the rich, except respondents who perceive themselves as rich.

## 2.2. Willingness to pay, investment and consumption: a novel theoretical perspective.

While we know that preference for greater progressivity is pervasive, we don't know which type of voters tolerate a higher tax burden and if willingness to pay is related to preferences for specific type expenditures. I build a novel theoretical perspective, based on the effect of education, trust and income, to explain how preferences for investment and consumption, which are inseparable from occupations, could be related to willingness to pay.

Education is certainly related to preferences for investment and consumption. The comparative welfare state literature suggests that well-educated sociocultural professionals want more social investment, while the less educated working class prefers higher social consumption (Beramendi et al. 2015; Busemeyer et al. 2018; Hausserman 2018). From a self-interested perspective, more educated people and their children are better able to reap the benefits of investments in education and research and development than people with lower cognitive capacities. Also, higher education is associated with a lower discount rate and a greater patience to reap the benefits of today's resource commitments in future periods (Jacobs and Matthews 2015; Wang 2018). It is conceivable that patience could be associated with more willingness to pay taxes since future-oriented citizens should be more likely to accept to pay higher taxes today in order to improve the public services they will receive later.

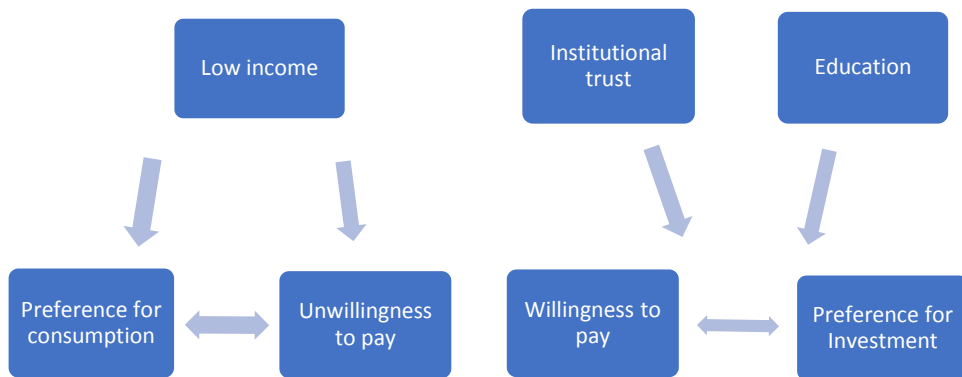
Education's impact on willingness to pay can also be related to income. More educated people tend to have higher income, especially in a knowledge economy. Higher-income people with progressive political leanings might actually be more willing to sustain higher taxes than lower income people because they have the financial capacity to absorb the costs of additional taxes. As their main needs are satisfied, higher income people can think about the added value of additional public services paid for by higher taxes. In contrast, individuals living in precarious financial situations might feel that an additional tax burden is unfair or that it might significantly decrease their well-being. Although they want higher expenditures, they might prefer to shift the tax burden on higher-income individuals.

Edlund and Johanssen Seva (2013) show that most of the voters who want “something for nothing” (higher spending paid for by another group) were from low socio-economic status. Similarly, Goodhart (2015) argue that a decrease in real incomes are associated with declining individual preferences for higher levels of taxation and social spending, because social insurance represents a “luxury good” that people discard when their income is reduced. Anecdotally, the Gilets Jaunes protests in France reveal that many citizens from relatively low socio-economic status perceive the tax burden as an additional burden and do not feel that the state is providing enough benefits to counterbalance this cost ([Spire 2018](#)). Hence, lower income people should prefer lower taxes, but they should also prefer higher consumption relative to investments. Indeed, consumption is more explicitly redistributive than investments, as it often represents a cash transfer. It can more directly counterbalance the costs of taxes and people living in precarious financial situations should prefer cash benefits to satisfy immediate needs rather than public investments whose benefits are diffuse and allocated in the long term.

Trust also matters for support for higher taxes and spending. Egalitarians support higher taxes and spending when they trust state institutions more so than when they perceive that state institutions are corrupt (Svallfors 2013). We know that in general, social and political trust is associated with a greater willingness to pay taxes (Barnes 2015; Daniele and Geys 2015; Heterington 2005; Roosma et al. 2015). A certain degree of trust in state institutions is necessary to accept to fund future oriented investments whose immediate return is low and whose future benefits remain uncertain (Jacobs and Matthews 2015). It is plausible that all other things equal, people with higher trust want more investments relative to consumption than people with lower trust.

Figure 4 summarizes the theoretical argument. Low-income citizens should prefer more consumption and be less willing to pay, while more educated and/or trustful citizens should be more willing to pay a higher tax burden to support higher levels of public investments. I am not arguing that preferences for investment or consumption are exclusive, but rather than citizens with higher levels of education and of trust should be more willing to pay taxes and should be relatively more willing to sustain higher levels of investments relative to the preferences of other citizens, not that they oppose higher consumption.

**Figure 4. Theoretical argument.**



Building on this theoretical discussion, I aim to test the following hypotheses:

- Hypothesis 1.  
Preference for investments should be related to willingness to pay taxes, whereas preference for consumption should be related to an unwillingness to pay taxes.
- Hypothesis 2.  
Within the center-left coalition, sociocultural professionals are more likely to accept higher levels of taxes and of investments, while low-skilled service and production workers are more likely to prefer higher tax progressivity and higher consumption.
- Hypothesis 3.  
Within the center-right coalition, small business owners want higher taxes on the rich and prefer consumption relative to investment, while business professionals do not want higher taxes on the rich and prefer investment relative to consumption.

## Section 3. Empirical analysis

### 3.1. Measurements and methods.

The main empirical challenge to answer these questions is that very few surveys directly ask respondents whether they would accept to fund additional public spending by raising their own tax burden<sup>4</sup>. Cross national surveys like the ISSP usually ask a question about the perception of current levels of taxes on different income groups (high, middle and low incomes). As discussed in the theoretical section, most people consider themselves to be in the middle class even if they are objectively richer than the true middle class. Hence, a preference for higher taxes on the rich might reflect preferences for higher taxes on an outgroup. To address this issue, I create subsamples of perceived and real middle-class respondents based on answers to questions on self-perception of class position<sup>5</sup> and on declared individual income relative to other respondents in a country<sup>6</sup>. Within these middle-class subsamples, I assume that respondents are thinking about taxes on themselves when answering the question on perception of the level of tax on middle incomes and are thinking about taxes on an outgroup when responding to the question on taxes on high-income citizens.

With the ISSP, I construct two variables measuring support for higher taxes. The first one is a dummy variable coded 1 if the respondent thinks that taxes on middle income are too high or much too high and zero otherwise<sup>7</sup>. The second measure aims to identify respondents who would be willing to sustain higher overall levels of taxes: it includes only respondents who think that taxes on high incomes are too low and that taxes on middle incomes are either about right or too low. I exclude taxes on the poor from these analyses because about 72% of respondents think that taxes on the poor

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<sup>4</sup> The OECD has just released a survey called “risk that matter” asking directly if respondents would be willing to pay 2% of their income to fund expenditures in different policy areas. Unfortunately, the micro-data of the survey will only be available “by the end of the year” according to my correspondence with the authors. I will certainly use their data once available to complete this chapter.

<sup>5</sup> The question on self-perception of class position is asking the respondent to place herself in the group where she thinks she belongs using a 0 (bottom group) to 10 (top group) scale. Only 25% of respondents place themselves in the top and bottom 3 groups. I create a subsample of middle-class respondents with the remaining 75% of respondents who place themselves in the middle groups (4, 5, 6, 7 on the scale). I also did robustness tests using only the middle 3 group (4, 5 and 6 on the scale), which is about 60% of the total sample, and the high middle self-perception (5, 6, 7 on the scale), which is about 65% of the total sample.

<sup>6</sup> I calculated a measure of income distribution based on respondent’s declared income relative to the other respondents in the same country. I divided the respondents in quintiles and created three categories: the bottom quintile, the middle-income respondents (middle three quintiles) and the top quintile. The middle three quintiles are used to create a subsample of middle-income respondents

<sup>7</sup> I cannot build a measure of people who consider that taxes on the middle are too low since they represent only 5% of respondents.

are too high and because perceptions about taxes on the poor might reflect fairness considerations more than willingness to raise taxes. All variables are displayed in table A1 in the appendix, along with their coding scheme.

The main independent variables are based on responses to a question on preferences for public spending on eight different policy domains. The responses are divided in five categories ranging from “much less” to “much more” and the survey question reminds that wanting much more spending might require higher taxes. I divided the policy domains into current consumption and future oriented investments, following the classification of this dissertation. Three policies fall within the consumption category (pensions, health care and unemployment benefit) and two policies fall under future-oriented investments (environment and education). The three other policy domains are defense, culture and law enforcement. From this, I build a factor index of support for additional spending regrouping the 8 categories, an index of support for consumption and one for investment.<sup>8</sup>

To measure occupations, I use Oesch’s (2013) regrouping technique of all occupations subcategories into eight main occupational categories, as it is common in comparative political economy and political sociology (Beramendi et al. 2015).<sup>9</sup> Also, I include many different micro and macro level control variables that could influence both spending preferences and willingness to pay. Micro level controls include support for economic interventionism, support for redistribution, trust in tax authorities, authoritarian values<sup>10</sup>, perception of tax avoidance by major companies, education level, being retired, a student, a woman, having a job, being a public employee, degree of political information, being a union member, place of living, having a child, age, income level and top bottom self-placement (for full model).<sup>11</sup> Country level macro variables include income inequality, poverty, tax levels, tax progressivity, share of private social expenditures and levels of public social spending.

All the analyses use multilevel logistic regressions for dummy dependent variables or ordinary least square regressions when predicting support for different types of spending. All models use

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<sup>8</sup> Additive indices give similar results.

<sup>9</sup> I tend to leave aside the analysis of technical professionals and clerks, whose preferences are less clearly defined.

<sup>10</sup> Unfortunately, there are no question to measure the « group » dimension, like support for immigration, nor questions about support for globalization. The index is based on questions about gender equality, personal freedom, views about the criminal justice system and surveillance by state authorities, thus they are not directly a measure of post materialism.

<sup>11</sup> I choose not to include vote choice because it reduces sample size by more than 40 percent, but uses several measures that proxy a left/right placement.

country fixed effects and robust standard errors clustered by country. All the models reported below use all controls, even if only some controls are displayed in the figures. Results are robust to removing all the controls, or one of the controls at the time, and to removing one country at the time.

### 3.2. Tax and spending preferences by occupations.

Figure 5 presents the average preference for taxation for each of the eight main occupational status. Socio-cultural professionals is the group whose average support for higher levels of taxes is the strongest; this is in part because they are the least likely group to believe that taxes on the middle class are too high. In contrast, low skilled production and service workers are the most likely groups to believe that taxes on the middle class are too high and that taxes on the rich are too low. Concerning the traditional constituencies of the center-right coalition, large employers and managers are less likely to think taxes on the middle are too high than other groups, but also less likely to think taxes on the rich are too low. A larger proportion of small business owners think taxes on the rich are too low, but they share similar anti-tax attitudes in general to managers and larger employers.

**Figure 5. Mean preferences for taxation by occupations**

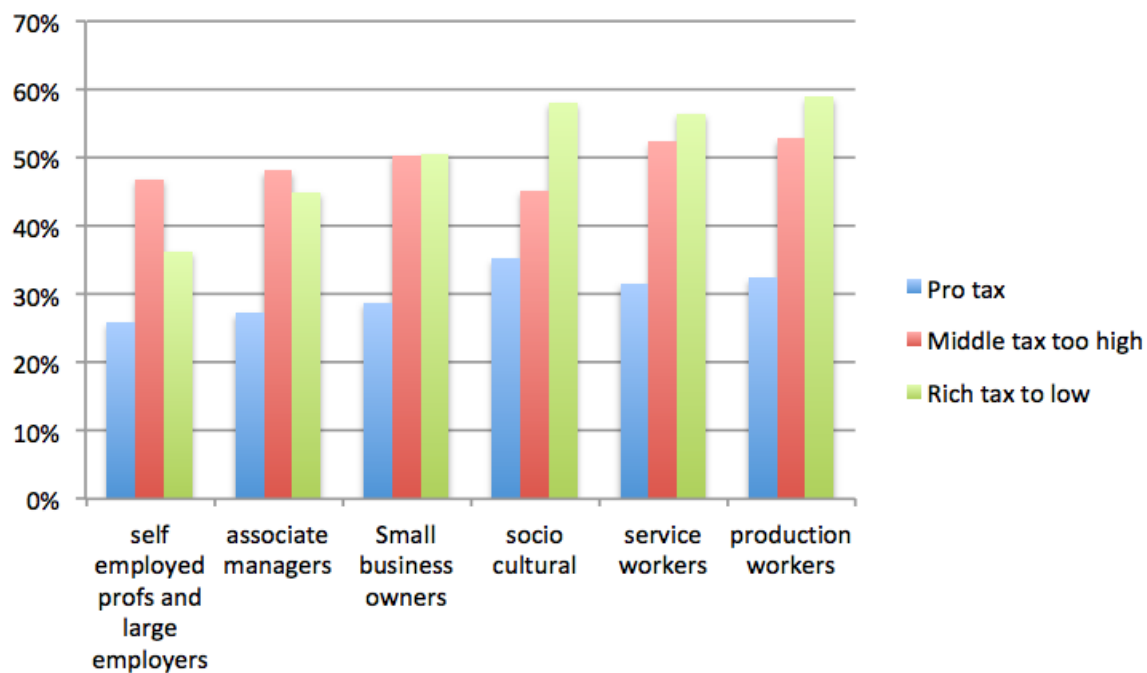
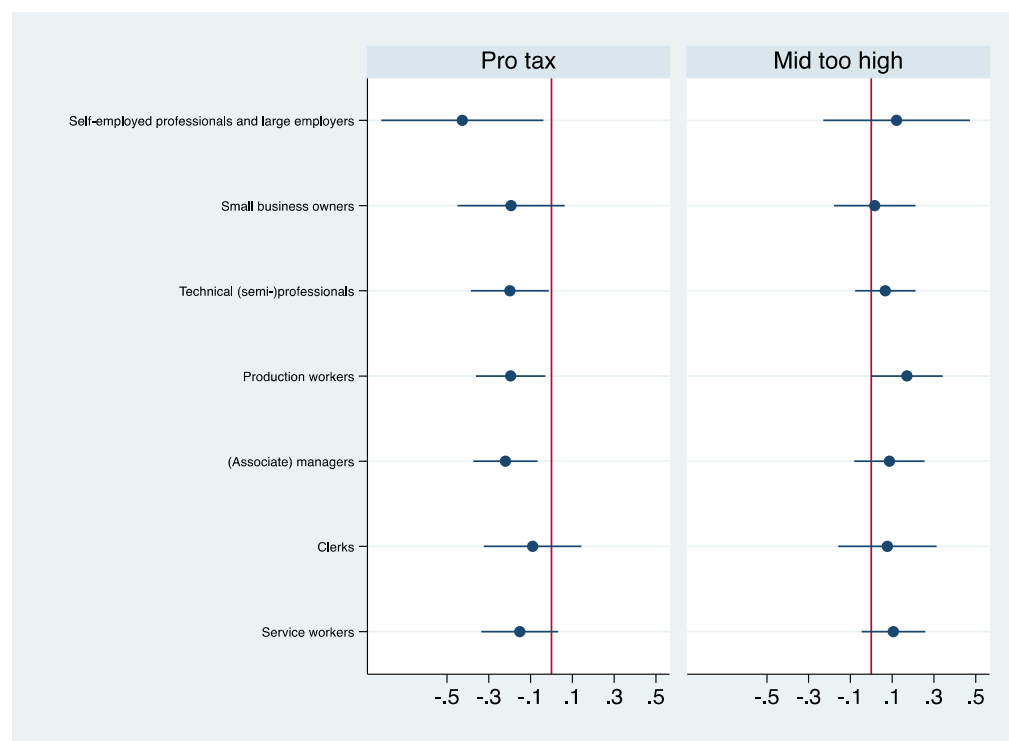


Figure 6 presents the coefficients of logistic regressions predicting whether each occupational group is willing to pay additional taxes (left column) or think that taxes on the middle class are too high (right column)<sup>12</sup>, using all control variables mentioned above. Socio-cultural professionals, the most pro-tax group, is used as the reference category. Figure 6 shows that managers, large employers, technical professionals, but also production workers, are significantly less willing to pay than sociocultural professionals. For example, being a manager relative to a socio-cultural professional decrease the likelihood of supporting higher levels of taxes by 19.7%, while being a production worker decreases it by 17.8%. The between occupations differences are smaller for preferences about taxes on the middle class, as only production workers are significantly more likely than sociocultural professionals to consider that taxes on the middle class are too high. Being a production worker increases the likelihood of thinking that taxes on the middle class are too high by 18.7% relative to a sociocultural professional. This suggests that the tax policy preferences of sociocultural professionals and of production workers are significantly different, while the tax policy preferences of small business owners, large employers and managers are similar.

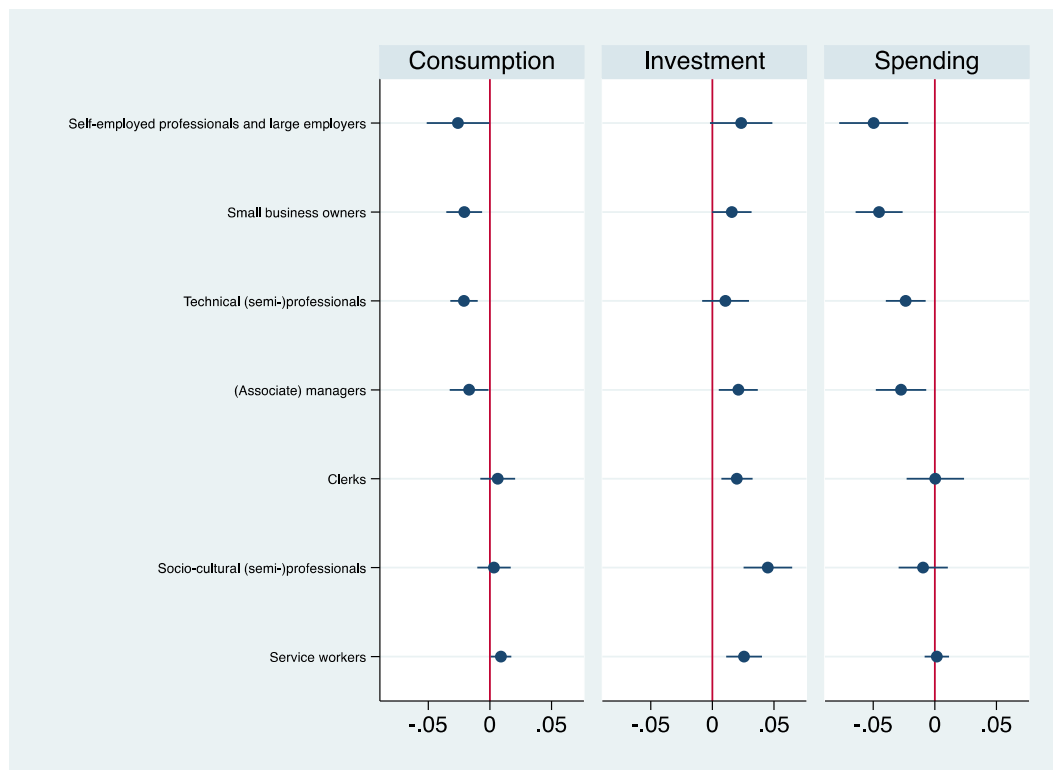
**Figure 6. Coefficients of logistic regressions predicting tax preferences by occupations.**



<sup>12</sup> The results are not different when using the full sample or the middle-class sample only for perceptions about taxes on the middle class.

Then, figure 7 presents the coefficients of regressions predicting preferences for investment, consumption and overall spending, using production workers as the reference category, since it is the most pro-spending group (along with low-skilled service workers). Figure 7 shows that production workers are more likely than large employers, managers, technical professionals and small business owners to want more consumption, or more spending in general. Only low-skilled service workers want even more consumption than production workers. Production workers have significantly weaker preferences for investment than sociocultural professionals, service workers, clerks and even managers<sup>13</sup>.

**Figure 7. Spending preferences by occupational group**



The patterns revealed by the three previous figures can be explained by each group's preferences for redistribution, their degree of authoritarianism, their income and their education level,

<sup>13</sup> The substantial impact remain relatively small (between 0.2 to 0.5 percent change in the spending preferences indices), but difficult to interpret in such a factorial index.



as shown in table 1. This table reports the mean value for each group, but presents qualitative differences for authoritarianism and redistribution, since the numeric values have no substantive meaning. Managers and large employers have the highest incomes and are the least in favour of redistribution. Production workers and low-skilled service workers are the poorest and least educated groups. Confirming the results of other studies (Kitschelt and Rehm 2014), they are also the constituents the most in favour of redistribution. However, low-skilled service and production workers are particularly authoritarian, putting their preferences close to those of small business owners on this issue. In contrast, sociocultural professionals are closer to managers and large employers concerning their level of authoritarianism and their level of education. Socio-cultural professionals are also clearly the most pro-investment constituency, but their income is close to average. Thus, the ISSP data reveal a similar placement of occupations to the ones presented in figure 3.

**Table 1. Income, education and preferences by main occupations.**

	<b>Income (1-3)<sup>14</sup></b>	<b>Top bottom self-placement</b>	<b>Education (0-6)</b>	<b>Authoritarianism</b>	<b>Redistribution</b>
<b>Large employers</b>	2.27	6.3	4.5	Low	Low
<b>Associate managers</b>	2.30	5.8	4.5	Low	Low
<b>Small business owners</b>	1.98	5.3	3.3	Highest	Medium low
<b>Socio-cultural</b>	2.07	5.8	4.9	Lowest	Medium high
<b>Low-skilled service workers</b>	1.74	5	2.9	High	High
<b>Production workers</b>	1.88	4.8	2.7	Highest	High

<sup>14</sup> As mentioned above, this is a crude measure of income, since I divided respondents by their relative position in the income distribution by quintiles and coded the middle three quintiles as 2 (for middle class). 1 is the bottom quintile and 3 is the top quintile.

In brief, the analyses of this section confirm hypothesis 2: sociocultural professionals are the most educated, pro-investment group and the group the most willing to raise its own tax burden to fund new spending. Low-skilled service and production workers are relatively poor and less educated. They prefer to shift the tax burden towards high-income citizens, while reducing their own and prefer higher consumption expenditures. In contrast, the tax policy preferences of the constituencies of the center right coalition do not seem to diverge significantly: they are all likely to prefer lower taxes, although business professionals and large employers, the wealthiest groups, are the least likely to believe taxes on the rich are too low, whereas small business owners are slightly more likely to think taxes on the rich are too low.

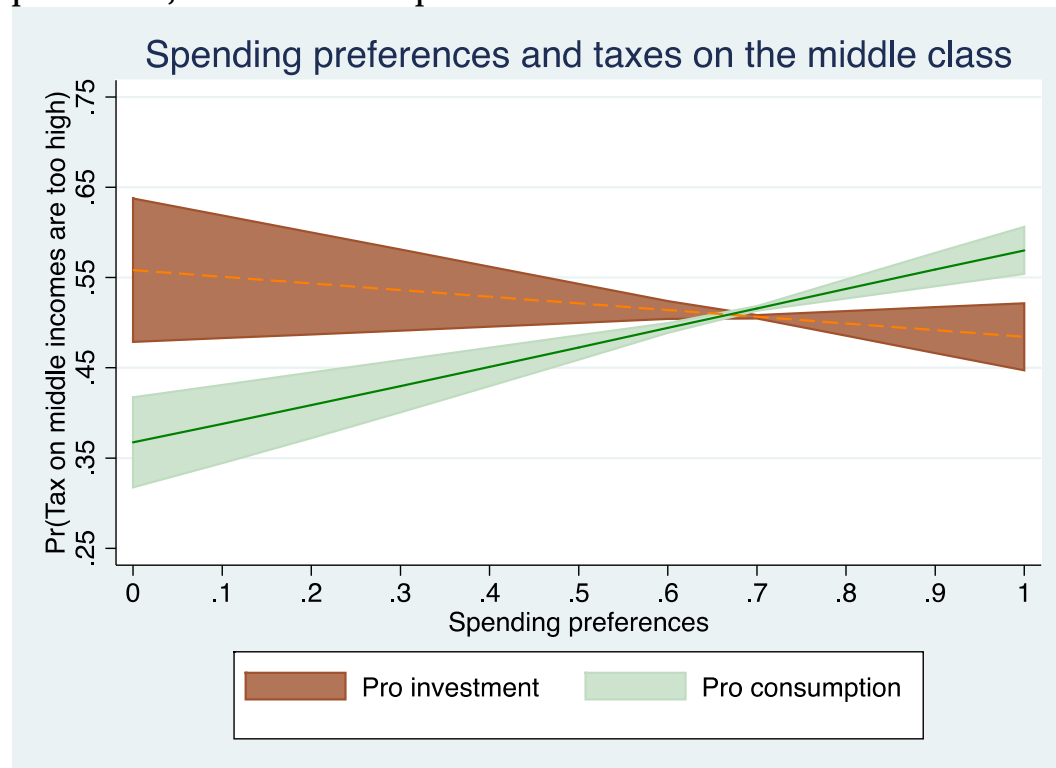
### 3.3. The relationship between spending and taxation preferences.

Now, I proceed to analyses of the relationship between spending preferences and tax policy preferences. Within the middle-class subsample<sup>15</sup>, logistic regressions including all micro and macro controls reveal that voters who want more consumption spending are more likely to believe taxes on middle incomes are too high. Figure 8 reveals that a one standard deviation increase on the consumption preference index raises the probability of thinking taxes on the middle are too high by 14.9%, holding other variables constant at their mean. In contrast, voters who want more investments tend to be less likely to think that taxes on the middle class are too high, although the relationship is not statistically significant. This result is certainly driven by production and low-skilled service workers' preference for consumption and for lower taxes on the middle class.

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<sup>15</sup> Results from the middle-income subsample are not different. Results from a third subsample using only respondents who are in the middle class and who perceive themselves to be in the middle are not different.

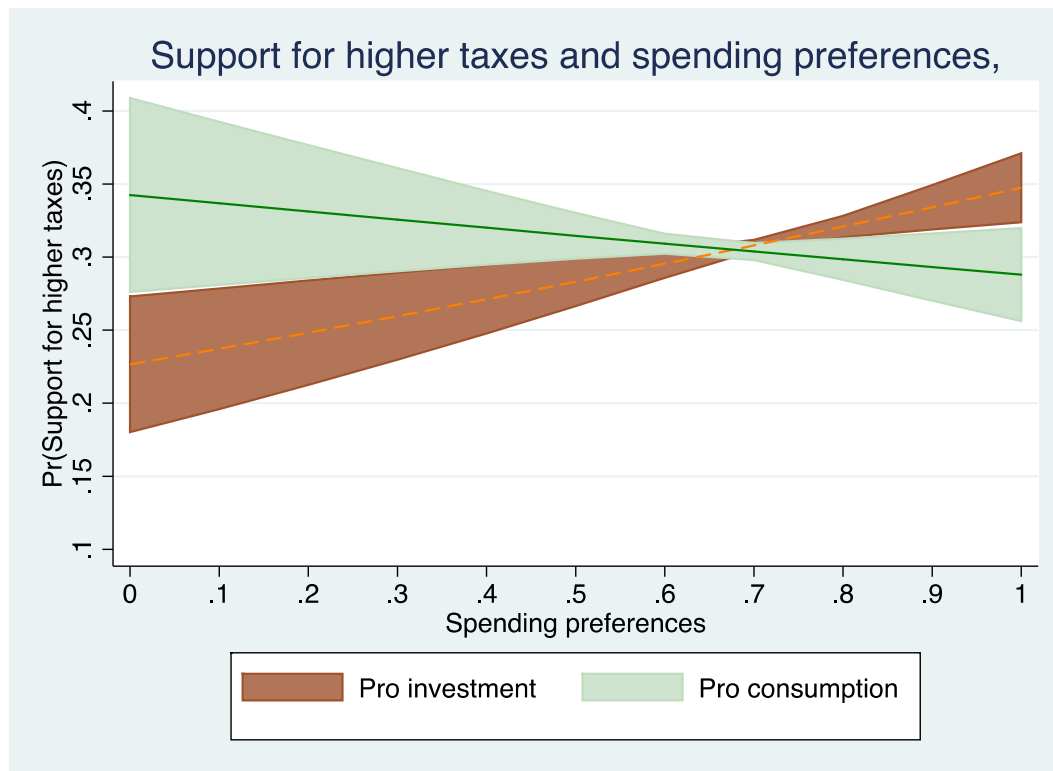
Figure 8. Predicted probabilities of thinking taxes on the middle are too high, by spending preferences, middle class sample.



I move to the analysis of the full sample to verify if spending preferences correlate with overall support for higher taxes.<sup>16</sup> Respondents wanting more investments are more likely to accept higher levels of taxes while those wanting more consumption are not, as shown in figure 9. A one standard deviation increase on the investment preference index raises the probability of supporting higher overall levels of taxes by 10.7%, holding other variables constant at their mean. Overall, the analysis finds support for hypothesis 1: respondents wanting more investments are more likely to accept to pay higher taxes, while those who support higher consumption spending tend to think that the tax burden on their own group is too high.

<sup>16</sup> Remember that the measure includes those who think that both taxes on high income are too low and that taxes on middle income people are not too high. Since less than 5% of voters think taxes on the middle are too low, this is mostly a measure of support for higher taxes on the rich that would not be combined with a decrease in taxes on the middle.

**Figure 9. Predicted probabilities of accepting higher levels of taxes by spending preferences, full sample.**



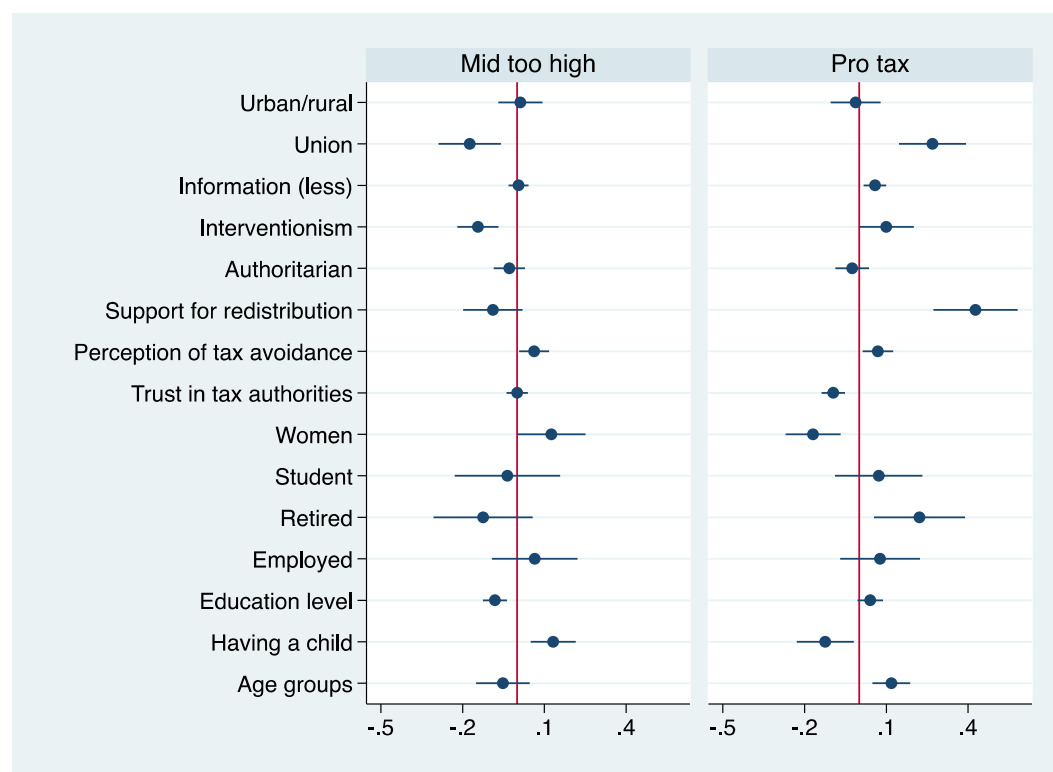
In other models (not shown), I analyzed preferences for the 8 spending items individually. Preferences for spending on pensions, unemployment and law enforcement are associated with thinking taxes on middle incomes are too high, while preferences for culture, health, defense, environment and education are not significantly associated with middle income tax preferences. Support for additional pension, law enforcement and defense spending are associated with a lower likelihood of being “protax”, possibly because law enforcement and defense are considered as “right-wing” priorities. In contrast, support for both environment and education is associated with a higher likelihood of supporting higher overall levels of taxes, suggesting that their combination into the same category is pertinent. Culture, health and unemployment benefits were not associated with support for overall levels of taxes. Thus, the preferences for two individual components of consumption, unemployment and pensions, tend to be related to similar preferences for taxation, while preferences for health differs, possibly because an overwhelming majority of respondents want higher health-care spending, regardless of their ideological leanings.

Finally, figure 10 presents the coefficients of the main control variables, using the two tax preferences variables as dependent variables.<sup>17</sup> Interestingly, the place of living does not have an independent impact on tax policy preferences, suggesting that the center-periphery divide on taxation witnessed in the recent Gilet Jaunes protests might be the results of the socio-demographic characteristics of the population, rather than an independent effect of the place of living. Also, authoritarianism does not have a significant impact on tax preferences. Being a union member and support for government intervention in the economy significantly increase support for taxation. Support for redistribution only increases the likelihood of willingness to pay, but do not decrease the perception that taxes on middle income are too high: redistribution by taxation is thus conceived as redistribution from the rich to the others. Having a child and being a woman are both significantly associated with lower willingness to pay and a stronger perception that taxes on the middle are too high. Education level is associated with a lower perception that taxes on middle incomes are too high, while older people have generally higher willingness to pay. Finally, it is interesting to note that some findings go against our theoretical expectations. Less informed citizens are more likely to be willing to pay and the coefficients of both trust variables (perception of tax avoidance, and trust in tax authorities) are not in the expected direction: those having more trust in tax authorities are less likely to be willing to pay, while perception of tax avoidance by large companies is significantly related to a perception that taxes on middle incomes are too high, but also to a higher willingness to pay.

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<sup>17</sup> The models presented in figure 10 also include occupations and the additive index for support for spending, which have already been analyzed, as well as the country level control variables.

**Figure 10. Coefficients of the control variables' impact on tax policy preference. Split sample (left column) and full sample (right column).**

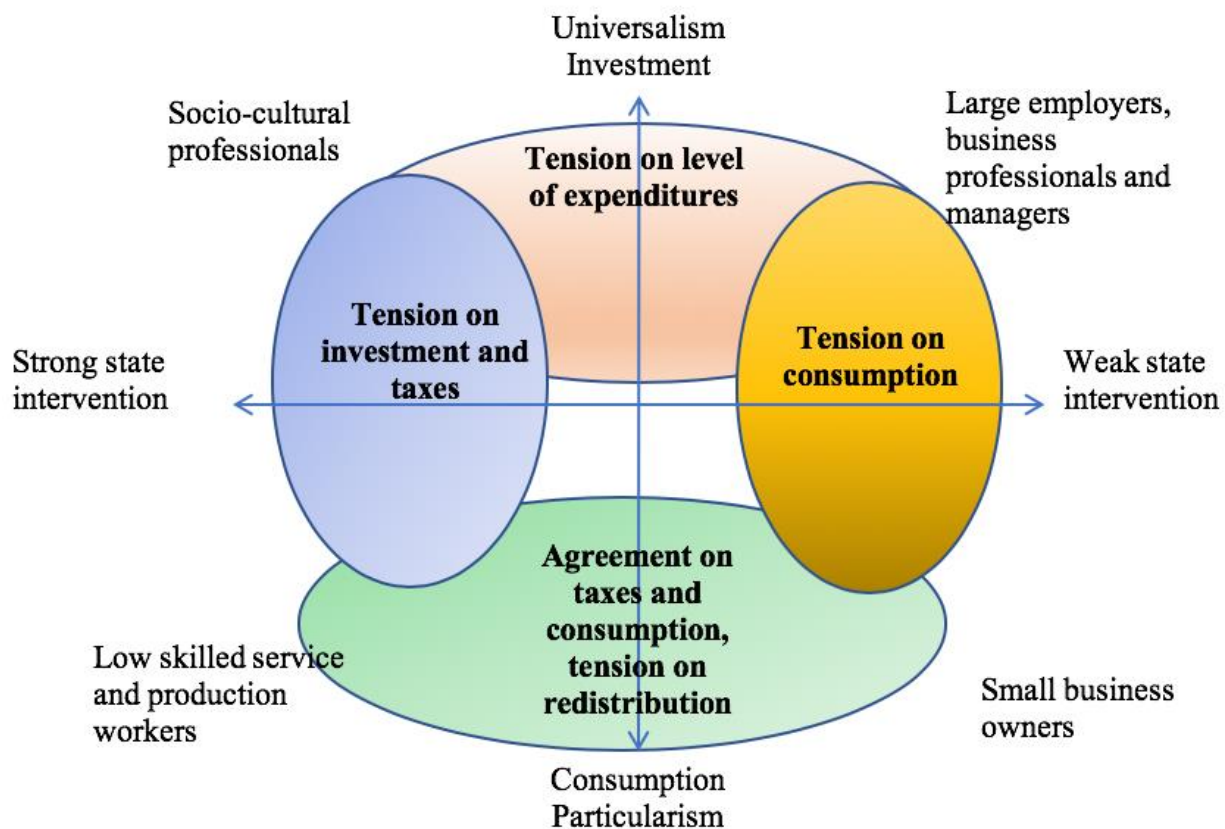


#### 4. Discussion and conclusion

Figure 11 wraps up the findings to present within-coalition tensions related to taxation and expenditures in the politics of advanced capitalism. The analysis conducted in this chapter reveals an additional tension within the social-democratic coalition concerning taxes: not only is there a tension between sociocultural professionals on one side and low-skilled service and production workers on the other concerning the universalistic/particularistic divide and the prioritization of investment and consumption, but the analysis of tax policy preference reveals that they also diverge on their willingness to pay. Low-skilled service and production workers want more consumption, which is associated with a perception that taxes on the middle class are too high. In contrast, pro-investment sociocultural professionals tend to be willing to raise their own tax burden. This unwillingness to pay among low-skilled service and production workers seems to be related to income and education: even

if they would benefit from more public services, they might feel that additional taxes is a cost that they cannot afford to bear. These findings confirm hypotheses 1 and 2.

**Figure 11. Tensions on taxes and expenditures within political coalitions.**



In fact, many progressive pro-spending voters prefer increasing tax progressivity by taxing the rich and reducing taxes on the middle and the poor, while refusing to raise their own tax burden. The unwillingness to pay of a large proportion of their constituents put social-democratic and progressive parties in a difficult situation: they need to raise taxes if they want to increase spending, otherwise they have to implement cutbacks in some policy areas to fund investments in other policy domains. If they choose not to raise taxes, social-democratic governments have to pick between social consumption, preferred by the working class and social investment, which is preferred by their new main constituency, middle class sociocultural professionals (Gingrich and Hausserman 2015). Cutbacks in

one of these areas to fund expansion in the other risk alienating one of their main constituencies and provoke the migration of voters towards other parties; of the working class to populist parties of the left and the right if they cut consumption (Arndt 2013) and of sociocultural professionals to green or centrist parties if they don't deliver investments in education and the environment (Kitschelt and Rehm 2015).

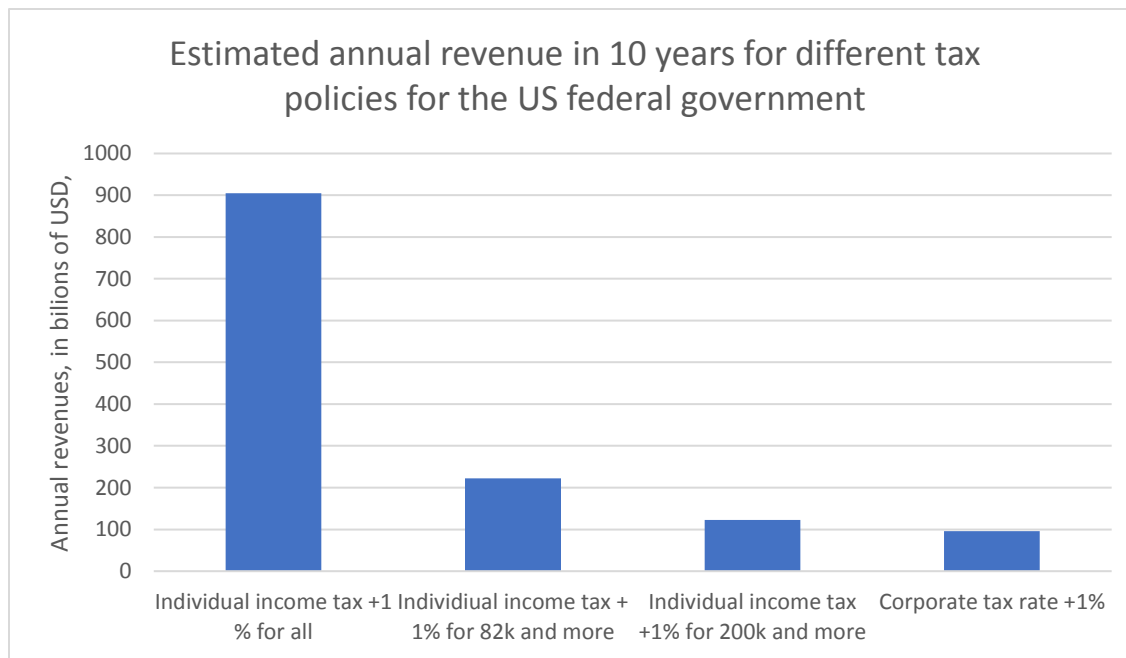
In contrast, it seems that tax policy preferences are not adding another layer of political tensions in the traditional center-right coalition of managers, employers and small business owners. Their main disagreement is based on the universalist-particularist divide and the prioritization of investment relative to consumption, but their tax policy preferences are similar. Although small business owners are more open to higher taxes on the rich, the differences in terms of tax policy preferences of these three constituencies are not significant, which goes against hypothesis 3.

Low-skilled service and production workers voters can be attracted by populist parties of both the left and the right: both will not raise their taxes, and both tend to favor higher consumption spending. In fact, low-skilled service workers and production workers have preferences that are relatively close to small business owners, which make them a good clientele for populist radical right parties: they tend to be authoritarian, prefer social consumption and lower taxes for middle- and low-income people. This could help to explain the rising proportion of working-class voters who choose to support parties of the right in a new tripolar political space (Oesch and Rennwald 2018). Still, this coalition remains relatively unstable, as these constituencies do not agree on the degree of redistribution.

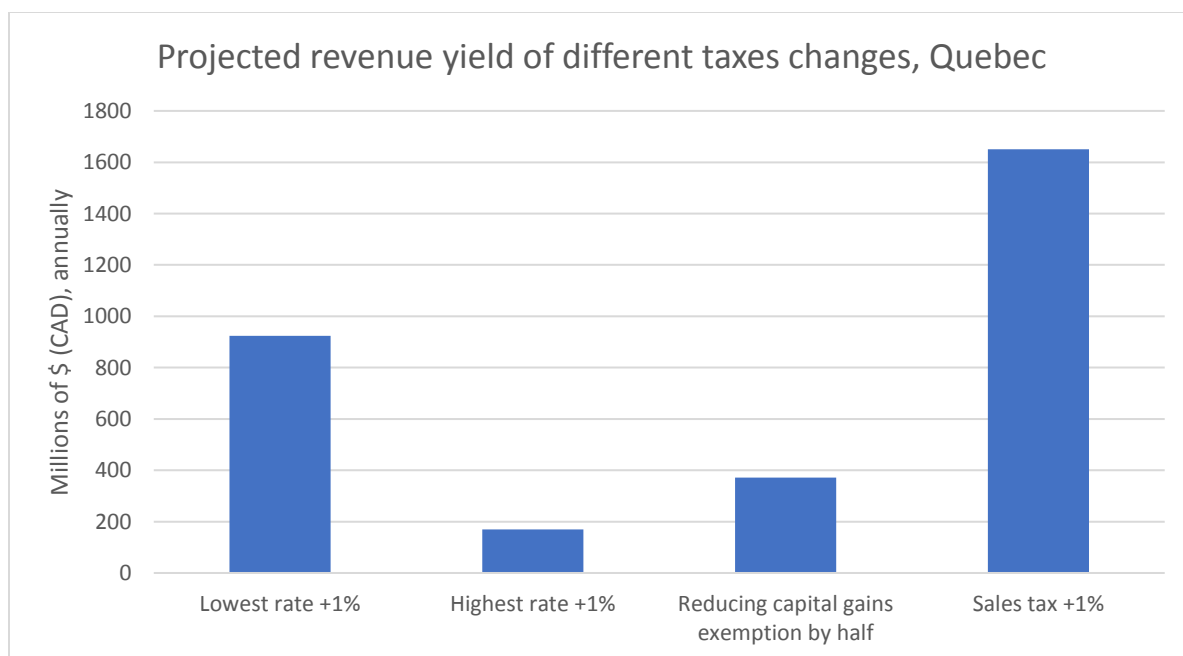


## Appendix.

Figure A1 presents estimates of different tax increase scenarios from the United States Congressional Budget Office and from the *Chaire de recherche en fiscalité et finances publiques* of Sherbrooke University in Quebec.



Source: Congressional budget office. Total revenues are about 3.4 trillion \$ per year



Source : Chaire de fiscalité et finances publiques. Total revenues are about 100 billion \$ per year

Table A1.

Variable	Coding
<b>Tax variables</b>	
Perception of taxes on the middle class	Coded 1 if respondent think taxes on the middle are too high, and 0 otherwise. “Generally, how would you describe taxes in [Country] today? ((We mean <u>all</u> taxes together, including [wage deductions], [income tax], [taxes on goods and services] and all the rest.)) First, for those with <u>Middle</u> incomes, are taxes: Much too high, too high, about right, too low, much too low”
Support for higher levels of taxes	Coded 1 if respondent think that taxes on the middle class are about right or too low <u>and</u> that taxes on the rich are too low, coded 0 otherwise
<b>Spending variables.</b> These are five category ordinal variables ranging from much more to much less. The question is “Listed below are various areas of government spending. Please show whether you would like to see <u>more</u> or <u>less</u> government spending in each area. Remember that if you say "much more", it might require a tax increase to pay for it.”	
Investment index	Factor /additive index based on support environment and education spending. (Factor loading 0.45)
Consumption index	Factor/additive index based on support for health, pension and unemployment spending. (Factor loading 0.58)
Overall spending index	Factor/additive index on support for additional spending in 8 different categories. (Factor Loading 0.63)
<b>Control variables</b>	
Authoritarianism	Index based on seven questions about privacy, freedom of speech, freedom of protest and gender equality. (Factor loading 0.53)
Redistributive preference	4 category ordinal variable on whether it is government’s responsibility to reduce income difference between rich and poor.
Economic interventionism	Factor index of support for government intervention in the economy based on 3 questions about whether government should support declining industries, support industries to develop new products and technologies and reduce the work week to create more jobs (Factor loading 0.58).
Trust in tax authorities	Additive index based on two questions about how often tax authorities “make sure people pay their taxes” and “treat everyone in accordance with the law”. (Factor loading 0.6)

Perception that large companies avoid taxes	Dummy based on one question about “how often do you think major private companies try to avoid paying taxes.”
Income (used only in full sample models)	Three category ordinal variable based on quintiles of the income distribution (bottom 20%, middle 60% and top 20%)
Top bottom self-placement (used only in full sample models)	Self-perception of class position, ten category ordinal variable. “In our society, there are groups which tend to be towards the top and groups which tend to be towards the bottom. Below is a scale that runs from the top to the bottom.”
Political information	5 category ordinal variable about “how interested would you say you are in politics”
Place of living	Three category variable distinguishing those living in cities (1), from those living in the suburbs (2) to those living in small towns, villages and the countryside (3).
Union	Dummy variables opposing those currently being a member of a union and those who have been a union member to those who have never been a union member.
Being a student	Dummy based on one question
Gender	Dummy based on one question
Retired	Dummy based on one question
Having a child	Dummy based on two questions
Public employee	Dummy based on one question
Education level	7 category ordinal variable
Age	4 category ordinal variable
<b>Macro level controls</b>	
Inequality	GINI coefficient, disposable income
Public social expenditures	Public social expenditures, % of GDP
Tax levels	Taxes expressed as a percentage of GDP
Tax progressivity	Taxes on income and property divided by taxes on consumption and social security contributions.
Share of private social expenditures	Private/public social expenditures, % of GDP
Poverty rate	Percentage of the population with incomes below 50% of median wage after taxes and transfers.

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