

## How European integration influences the way we think about redistribution of income

*What makes us more (or less) inclined to redistribute resources? Drawing on findings from a recent study, [Joan Costa-Font](#) and [Frank Cowell](#) write that European integration has a role in lessening national pride and is conducive to a more positive attitude toward income redistribution. They argue that when individuals identify themselves with a 'broader other', they are more willing to redistribute resources.*



What shapes preferences toward the redistribution of resources? Economists, such as [Allan Meltzer](#) and [Scott Richard](#), have traditionally linked preferences for redistribution to the position an individual locates in the overall distribution of income within a society, but this principle has not been consistently validated. One alternative explanation, that we put forward, lies in the role of identity in shaping people's attitudes toward solidarity.



According to [George Akerlof](#) and [Rachel Kranton](#), social identities shape individuals' preferences by defining a "sense of belonging". Identities are able to contribute to the development of cognitive biases if a person's reference group is not the whole population but that of his group, or his country. People in relatively rich countries may perceive themselves as being poorer than they really are, not so much because of flawed information, but because their reference point is based on the social group they identify with, and not necessarily the whole population.

In principle, European identity could play a role similar to that of American identity, uniting people by transcending borders, and especially racial divisions. A superordinate identity eliminates the effects of parochialism, nationalism and group identity. In this sense, the "European project" certainly raises interesting questions in connection with the mechanisms of redistribution and perceptions of identity.

In the absence of a natural experiment to test the influence of identity on redistribution preferences, potential alternatives include drawing on Europeanisation processes, educational reforms and external sources of national pride such as the success of national teams in sporting contests. The substitution of a national currency by a common currency (the euro) may have triggered some salience for the European project, resulting in greater weight for the European component of people's identity. Similarly, changes in citizenship education and even factors like the medals achieved by a country in the Olympic Games could play a role.

In a [recent study](#) we argue that the development of a European identity resulting from institutional reforms such as the introduction of a common currency provides some quasi-experimental evidence to examine this issue. Indeed, Europe is the ideal setting to study changes in identity, given that the integration process can influence existing welfare institutions and thereby affect people's redistributive preferences. Using an instrumental-variable strategy that takes advantage of three potential mechanisms affecting an individuals' identity, we focus on countries that adopted the common currency only after its inception so that we can observe a period before and after being part of the euro.

We contend that when identity is defined by a "broader other", people are more likely to express a preference for true redistribution, while redistribution in small communities might be partially explained by exchange motivations instead. Becoming part of the Eurozone, in a setting where redistribution is primarily undertaken by national welfare states, should not change the individual's expectation of benefiting from redistribution, and should primarily affect the rescaling of people's spatial identity.

Our results provide evidence to support the notion that the development of a European identity appears to weaken national pride, which in turn influences redistributive preferences. We find a positive (negative) impact of European identity (national identity) on preferences for redistribution. The effect of identity is comparable in size to the effect of income and is only exceeded by the effect of tertiary education.

These results indicate that institutional changes involving symbolic features that define one's identity – in this case the currency – can exert an impact on people's attachments: more specifically, they can underpin the formation of a person's identity. Our findings show that there are important positive knock-on effects on redistributive preferences associated with furthering European integration. The lessening of national pride is more likely to lead to changes in individuals' reference points, which influence the way they form preferences toward redistribution.

*This article summarises material in a recent [LEQS paper](#)*

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*Note: This article gives the views of the author, and not the position of EUROPP – European Politics and Policy, nor of the London School of Economics.*

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