

ABSTRACT

Does Government Compensate Individuals If
Individuals' Future Does Not Depend on Their Own Effort?
- Empirical Evidence From a Cross-Country Analysis

By

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This paper analyzes the role of social beliefs on public policies. It argues that if society believes that the poor can not escape from poverty or its own effort is not enough to bring a better life, it will demand for more income redistribution targeted to help the poor.

In a cross-country analysis, it was found that the level of redistribution is directly correlated with the social beliefs about the determinants of poverty and success. This hypothesis holds at a significant level even controlling for other macroeconomic characteristics; and implies that social beliefs influence on fiscal policy, government budget allocation and are the main reason behind the choice of the degree of welfare state.

The second part of the paper sheds a light on how public policies may affect individuals' perception. The results suggest that inflation, corruption and the level of redistribution impact on social beliefs.

Keywords: Redistribution Policy, Social Beliefs, Hard Work, Inequality.