Abstract: Public defence of the Ph.D. in Economics by Joshua Holm

The Ph.D. thesis is called ‘Three Essays on Social Identification and Fiscal Policy.’
Promotor: Prof. dr. Benny Geys

The central research question of the dissertation concerns the role of individuals' social identification on their willingness to support public policies with redistributive implications for individual wealth or income. Chapters 1 and 2 emphasize territorial entities (as modeled, a region or a country) as social groups eligible for identification. This specification is driven by the direct relevance which such 'jurisdictional' identification bears to recurrent -- and often fierce -- debates over the redistribution of resources to accommodate income heterogeneity within federations (e.g., Belgium, Germany, Italy, or the European Union). In Chapter 1, this is analyzed theoretically, with specific predictions derived concerning the role of jurisdictional identification in influencing redistributive preferences and equilibrium outcomes. A central finding is that jurisdictional' identification may shift individuals' preferences for redistribution against their narrow personal economic interest; specifically, wealthy individuals will be more supportive of redistribution under some social identities than under others, and poor individuals will be less supportive. Further, the effect on redistributive support of federal (as opposed to regional) identification is found to depend crucially on the relative wealth of an individual's region. This stands in contrast to the frequent claim that national identification is a basis for welfare support, and is in keeping with the often-contradictory body of empirical evidence.

Chapter 2 tests these predictions in the setting of post-reunification Germany, with the regions of the former East and West remaining both unequal in income and widely recognized as distinct. Individual-level survey data from the 2008 German General Social Survey (ALLBUS) offer strong support for the key propositions of the theoretical model in Chapter 1. In particular, among lower-income respondents in eastern Germany, federal identifiers are significantly less supportive of redistribution than non-federal identifiers (even controlling for relevant socioeconomic factors), while higher-income respondents in western Germany report greater support for redistribution when they identify federally. Thus the national identification-redistribution relation appears critically mediated not only by individuals' own incomes, but also by the income positions of the social groups to which they belong.

Chapter 3 turns to identifiable social groups defined along religious lines (namely, Protestant and Catholic), and emphasizes policy outcomes at the level of the municipality, rather than individual preferences. In light of the considerable theoretical and empirical literature suggesting that communities' levels of public goods provisions tend to be decreasing in their racial, ethnic, or linguistic heterogeneity, we turn to the more novel cleavage dimension of religion, and the test setting of Bavaria following Germany's reunification after 1989. The analysis centers on difference-in-differences models comparing the fiscal effects of an immigration wave (largely non-Catholic, and originating in the former East Germany and elsewhere in Eastern Europe) on municipalities which were ex-ante homogeneously Catholic versus those which were not. Consistent with theories of altruism targeted according to in-group/out-group considerations, we find that homogeneously Catholic towns collected significantly less in
revenue and provided significantly lower levels of public goods following the considerable population growth during the influx of immigrants. The timing of this policy adjustment appears mediated by the democratic process, and its basis in social identification is corroborated by individual survey data.