

# Preferences for Redistribution in Cyprus

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## Abstract

This paper investigates the determinants of the preferences of redistribution in Cyprus using two complementary surveys, the European Social Survey and the World Values Survey. We find that current individual income and perceptions about fairness play a major role in determining the preferences for redistribution in Cyprus even when we account for model uncertainty. Both income and perceptions about fairness are negatively associated with demand for redistribution. From the perspective of policy evaluation our results can have important consequences on government size, inequality, intergenerational mobility, and even long-run growth in Cyprus. The substantial reductions in individual income and perceptions about fairness during the recent economic crisis in Cyprus are expected to generate a higher demand for redistribution. Thus, policy makers will face the challenge to revise the mix of progressive and regressive taxation in Cyprus in the coming years in order to reduce the mismatch between preferences and actual policy outcomes.

**Keywords:** Cyprus, inequality, preferences for redistribution, social preferences.

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