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A New Political Divide?

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Chapter 1

Introduction

The traditional debate on political ideology has been dominated by the view that political preferences are either left or right. Not only scholars, but also politicians and journalists commonly refer to left-wing versus right-wing when discussing voters' preferences, political parties and policies. Moreover, the terms left and right are still often used in political and academic debates. However, in light of recent events and evolutions in the political landscape, this traditional view of ideology has increasingly come under attack. Does this, however, mean that the left-right divide is ill-suited for the contemporary political environment? And if so, what would be a better-fitting, alternative ideological divide?

Events such as the election of Donald Trump, the vote in favour of Brexit and the European migrant crisis have shown that contemporary politics is no longer only focused on traditional left versus right topics. Issues as redistribution and the amount of government involvement in the market, along which the left versus right divide has conventionally been classified, lost their prominent position in the political debate. It is even claimed in popular media that the left versus right political classification has been replaced by one along open versus closed lines.¹ According to these media, the political landscape is nowadays divided along issues as migration, protectionism, (anti-)establishment and cultural change, instead of redistribution, economic equality and the level of government involvement in the economy. Moreover, the former topics have received abundant attention during recent elections in Europe, such as the 2017 Dutch and the 2018 Italian general elections.² This apparent new political divide even led to the formation of an Italian government by the extreme 'right-wing' Lega and extreme 'left-wing' Five-Star Movement. This suggests that traditional left versus right topics have been placed on the back burner.

The emergence and electoral successes of many contemporary populist parties in the European political landscape is an additional evolution suggesting that left and right might be outdated as political dividers. Moreover, it suggests an electorate that is confused about what the concepts 'left' and 'right' encompass. Nowadays some of the largest political forces in their countries, parties like the Dutch PVV, the French Front National, the Italian Lega, and the Austrian FPÖ have been gaining momentum. In

1. See for example these articles in the Economist of 30 July 2016: 'The new political divide' and 'Drawbridges up', 30 July 2016.

2. See the following articles published in the Guardian for an overview: 'Dutch elections: all you need to know' (2 March 2017) and 'Italy's election: who will win and why does it matter?' (4 March 2018).

the academic as well as popular debate, these parties and their constituents are referred to as right-wing. Yet, they either find economic issues to be inferior to their social and cultural goals or do not support traditional right-wing economic policies (Mudde (2007)). Furthermore, voters seem to interpret the left-right scale nowadays on cultural and immigration grounds (de Vries, et al. (2013)). This raises the question of whether the left-right political distinction is still suited to evaluate partisan differences in the contemporary political landscape.

In academics this issue has also received considerable attention. However, whereas it seems to be receiving scrutiny by the media and popular debate only in recent years, research on the use(fulness) of the left-right distinction in political beliefs goes back to at least the fifties. Eysenck (1954) was one of the first to identify multiple dimensions of political beliefs, one of which is similar to the traditional, i.e. economic, left-right distinction. His work was followed by Converse (1964), who argued that the mass of the electorate does not have political attitudes, which follow the logical and coherent structure that is assumed by left-right ideology. Furthermore, Lipset (1960) claimed that the conflicts needed for voters to manifest themselves along ideological lines declined to such an extent that there were no real differences anymore between the left and the right.

The work of authors as Eysenck (1954), Converse (1964) and Lipset (1960) spurred research on the structure of political beliefs. If a one dimensional, left-right representation of ideology was not able to coherently structure political attitudes of individuals, perhaps multiple dimensions could. Conover and Feldman (1984) showed that individuals structure the same political information in different ways that cannot be simplified to one dimension. Moreover, Carmines and D'Amico (2015) claimed that individuals' ideology is the result of personal values and beliefs, and as such, is not constrained by a framework such as the left-right one. This claim is supported by Feldman (2013), who asserted that there exists a diverse set of values. As political attitudes find their origin in such values (see also Feldman (1988); Rokeach (1973)), there is no reason to believe that a single dimension can structure them. Many more studies examining the structure of political attitudes followed (see e.g. Feldman & Johnston (2014); Layman & Carsey (2002); Otjes (2017); Treier & Hillygus (2009)). Feldman (2013, p. 6) gives an elaborate overview and summarises as follows: 'A large

number of studies (...) have examined the dimensionality of political beliefs and issue preferences among people in many different countries. In virtually no case is a single factor (left-right) model an adequate fit to the data.'

Despite these insights from political science and political psychology, research in economics has continued to rely on left-right distinctions of political ideology when studying its economic implications. Think, for example, of the median voter theorem of Downs (1957) and the partisan models of Hibbs (1977) and Alesina (1987), or the theory on social mobility and redistributive preferences by Piketty (1995). These all rely on left-right distinctions of political beliefs. Not only is the left-right classification used in theoretical work, many scholars in economics also use it to empirically evaluate the impact of political preferences on the economy. Left-right ideology is, for example, used to evaluate happiness and well-being (Bjornskov, et al. (2013); Dreher & Ohler (2011)), voting behaviour (Ansolabehere & Socorro Puy (2016); Garcia-Vinuela, et al. (2018)), and preferences for economic policy (Boeri, et al. (2001); Giesenow & de Haan (2018); Pitlik, et al. (2011)). Moreover, a complete strand of literature in political economy is dedicated to study how left-right political attitudes affect voter's preferences for redistribution (e.g. Alesina & Angeletos (2005); Alesina & Giuliano (2011); Alesina, et al. (2018); Buscha (2012); Olivera (2015); Page & Goldstein (2016)).

In this thesis, I study the role of ideology in political economy research, taking into account the evolutions in the contemporary political environment, as well as research on the structure of political beliefs. I operate in three different areas that have political ideology as common theme. Firstly, I examine how left-right political beliefs impact redistributive preferences by considering its indirect effects - following the convention regarding the measurement of political ideology. By taking into account indirect effects of political ideology, I am improving upon existing work in the field. Secondly, I focus on measurement issues surrounding political beliefs taking into consideration the findings on ideology from political science and political psychology. I start with a test of the validity of the conventionally used left-right measure of political ideology. Then, I examine the dimensionality of political ideology and propose an alternative measure of political beliefs. Thirdly, I study individual heterogeneity in underlying

sources of ideology by examining beliefs and values to get better insight into what drives political attitudes. I discuss each of these parts in more detail in the remainder of this chapter.³

1.1 INDIRECT EFFECTS OF POLITICAL IDEOLOGY

Many scholars investigate how political preferences affect economic outcomes. This is either done on a governmental-level, in which (the outcome of) economic policy is often the variable of interest (e.g. Belke & Potrafke (2012); Bjornskov (2005); Cukierman & Tomassi (1998); Tavares (2004)), or on an individual-level, in which preferences for such outcomes and policies are generally under investigation (e.g. Bodenstein & Faust (2017)), Boeri, et al. (2017); Pitlik, et al. (2011); Scully, et al. (2012)). One particular subject has been the focus of attention of many: (preferences for) redistribution. As major shares of government budgets are spent on redistributive transfers, it is essential for policy-makers and researchers to know what determines public support for it.⁴ In Chapter 2, I add to the existing literature on redistribution by studying political ideology, income mobility and redistributive preferences.

There is a long history of studies into the determinants of redistribution and the influence of political attitudes. Since the median voter theory of redistribution by Meltzer and Richard (1981), research into what factors influence redistribution has taken off. In Meltzer and Richard's (1981) model, however, people were modelled as self-interested and there was no role for political beliefs. One of the first to incorporate political effects into models of redistribution were Dixit and Londregan (1998), who modelled voters motivated by a concern for inequality. This started a new strand of literature, theoretical and empirical, into the effects of political attitudes on redistribution (see e.g. Case (2001); Feld (2000); Roemer (1998); Roemer (1999)). More recently, the focus has been on explaining voter's preferences for redistribution

3. The chapters in this thesis are based on journal articles, which are joint work with other researchers. The chapters are, thus, written as scientific articles and can be read independently from each other. As much as I have tried to prevent this, there might be some repetition and overlap between chapters.

4. For example, public social expenditures totals 22% of Dutch GDP (OECD average: 21%, 2016) and over 50% of total expenditure of the Dutch government is dedicated to social expenditures (OECD average: 45%, 2014). Source: OECD.Stat.

using political ideology as one of the motives for redistribution (e.g. Alesina & Angeletos (2005); Alesina & Giuliano (2011); Olivera (2015); Page and Goldstein (2016)).

An additional factor influencing redistributive preferences is the prospect-of-upward-mobility (POUM), established by the work of Benabou and Ok (2001). According to the POUM-hypothesis, individuals expecting future upward income movements might rationally demand lower levels of redistribution, even though, based on their current income they would benefit from it. Since the seminal paper by Benabou and Ok (2001), several authors have studied the effect of upward income mobility expectations on redistributive preferences. Ravaillon and Lokshin (2000), for example, find a substantial effect of both upward and downward mobility on support for redistribution among families that are currently already well-off. Checchi and Filipin (2004) find experimental evidence for the POUM-hypothesis. Furthermore, Alesina and La Ferrara (2004) find that both subjective expectations and objective measures of income mobility are able to explain why poor individuals might demand a low rate of redistribution. Using only subjective measures of income expectations, Corneo and Gruener (2002), Rainer and Siedler (2008) and Cojocaru (2014) draw similar conclusions.

Adding to these findings, students of the POUM-hypothesis have focussed their attention to the role of political beliefs when examining mobility expectations. Buscha (2012) finds that individuals that expect their income to increase in the future are more likely to be right-wing, whereas those that expect their income to decrease are more likely to be left-wing. Furthermore, expecting upward income mobility increases the likelihood of individuals to vote for a conservative party. Buscha (2012), however, does not consider redistributive preferences, even though his results suggest an indirect link between mobility and ideology. Alesina, et al. (2018) do take this indirect effect into account in their paper on the effect of inter-generational mobility on preferences for redistribution. They study the POUM-effect, while allowing for differences between left-wing and right-wing individuals and find a robust effect of mobility on redistributive preferences that is conditional on political beliefs.

In Chapter 2, I add to this literature by studying political ideology, the POUM-effect and preferences for redistribution in an intra-generational setting. Different from Alesina, et al. (2018), I consider the influence of life-cycle earnings by focussing on the individuals for which the POUM-effect is most relevant. This enables me to give

a more accurate picture of the conditionality of the POUM-effect. Moreover, where Alesina, et al. (2018) examine perceptions of country-level opportunities for income mobility, I consider individual expectations. That is, I examine how political attitudes affect the relation between an individual's personal mobility expectations and his/her support for redistribution.

The data I use consists of a cross-section of individuals and is gathered using a survey set out among the Dutch population. Political preferences are measured using self-reports of ideology on a left-right scale. The findings show that there is a statistically significant POUM-effect on preferences for redistribution. That is, individuals who expect their income to increase over time have preferences for significantly lower redistribution. However, I find that this effect is conditional on political ideology. Only right-wing individuals' demand for redistribution is negatively affected by expectations of upward income mobility. For left-wing individuals, it holds that preferences for redistribution are independent of their expected income mobility. Regardless of what they expect to earn in the future, redistribution is a preferred outcome for them.

1.2 MEASUREMENT ISSUES IN POLITICAL IDEOLOGY

In Chapters 3 and 4, I address two issues related to the measurement of political ideology. In Chapter 3, I start by testing whether the conventionally used left-right measure of ideology is a valid predictor for beliefs along traditional, i.e. economic, ideological lines. After finding evidence opposing such predictive validity, I challenge the assumption that ideology can be measured along a linear, left-right dimension in Chapter 4. I argue that more dimensions are needed to accurately depict political preferences and propose an alternative measure of political beliefs.

In Chapter 3, I test the predictive validity of left-right political ideology. It is conventional in political economy to rely on left-right measures of political beliefs. Yet, in doing so you not only have to assume that ideology is one-dimensional, you also assume that the measure captures underlying preferences and is able to predict behaviour. Moreover, the majority of research on left-right ideology uses survey measures. Survey-measurement, however, can be subject to self-serving biases, strategic motives, social desirability and inattention biases. Another crucial feature of surveys is that they are not incentivised. This means that survey-based measures are not necessarily behaviourally consistent (Camerer & Hogarth (1999); Dohmen,

et al. (2011)). A natural question that follows is: how can we be sure that the left-right survey-measure captures what we believe it does? In Chapter 3, I aim to answer this question by testing the validity of survey-measured political ideology using an incentivised real-effort distribution experiment.

Using an incentivised experiment to examine the predictive validity of survey-measures is an accepted method (see e.g. Armantier, et al. (2015); Dohmen, et al. (2011); Falk, et al. (2016); Fehr, et al. (2003); Glaeser, et al. (2000); Vischer, et al. (2013)). However, to the best of my knowledge, there is no study yet that specifically focusses on validating left-right political ideology. I conduct an incentivised real-effort distribution experiment that is designed to capture preferences regarding the equality-efficiency trade-off, which is at the core of the left-right divide (Jost (2009)). Within the context of this experiment, I test whether self-reported left-right ideology can predict these preferences. Moreover, by including a real-effort stage, I am able to take potential differences in behaviour due to entitlement concerns into account.

From existing studies we know that behaviour in experiments in which subjects decide over earned wealth differ from behaviour when they decide over given wealth (e.g. Barr, et al. (2015); Cappelen, et al. (2013); Cherry, et al. (2002); Durante, et al. (2014); Engel (2011); Erkal, et al. (2011); Gee, et al. (2017); Krawczyk (2010)). However, not many studies go into detail about what could explain this difference (exceptions being Barr, et al. (2015) and Cappelen, et al. (2013)).⁵ I consider left-right ideology as a driver of these behavioural differences. It has been shown in existing work that views regarding (in)equality, redistribution and efficient outcomes are influenced by beliefs about (the role of) effort and luck, both on an individual and societal level (e.g. Alesina & Angeletos (2005); Alesina & Giuliano (2011), Benabou & Tirole (2006); Fong (2001); Lefgren, et al. (2016); Piketty (1995); Varian (1980)). Simultaneously, it is either explicitly stated or implicitly assumed that there are differences between left and right-wing individuals in how they think about effort and luck, and consequently, their role in determining success or income (see e.g. Alesina & Angeletos (2005); Benabou & Tirole (2006); Jost, et al. (2009); Piketty (1995)). Hence, I expect differences in behaviour of left-wingers and right-wingers. This difference will depend on earnings being determined by luck or by effort, in which entitlement concerns come into play.

5. Barr, et al. (2015) consider economic status as an explanation, whereas Cappelen, et al. (2013) take into account needs considerations.

The experiment I conduct is a simple distribution experiment, which captures equality versus efficiency preferences. It relates to the study of Engelmann and Strobel (2004). This study examines whether behaviour is motivated by inequality aversion, efficiency considerations or maximin preferences. I add to their work by including a real-effort stage. Accordingly, the experiment is an incentivised two-stage real-effort experiment. In this experiment, a decision-maker distributes earnings over two anonymous recipients and him/herself. In the first stage, (s)he either receives these earnings as 'manna-from-heaven' or earns them during a task. In the second stage, the decision-maker distributes these earnings over the group. (S)he has a choice between two distributions: an equal, but inefficient distribution, or an unequal, but efficient one. Within this stage, I vary the earnings that the decision-makers receive when choosing a distributive outcome. This allows me to test whether my results are robust to small monetary incentives.

I expect behaviour to be in line with self-reported ideology, i.e. I expect left-wing decision-makers to prefer the equal distribution over the efficient one; and vice versa for right-wing decision-makers. However, taking into account ideological differences regarding the role of effort and luck, I expect left-wing decision-makers to do so under luck and right-wing decision-makers under effort. I find that self-reported right-wing ideology significantly predicts preferences for efficiency when entitlement concerns play a role. Self-reported left-wing ideology does not have predictive value in explaining preferences for equality; neither under luck, nor under effort. Therefore, I conclude that only self-reported right-wing ideology has predictive value. This finding suggests that, while right-wing ideology is still related to the traditional interpretation of left versus right, left-wing ideology does not represent this aspect of the conventional political divide anymore.

I study the dimensionality of political ideology in Chapter 4. Most common in political science and political psychology is to assume that ideology has two dimensions to represent economic and social preferences. Feldman (2013) argues that these dimensions are needed, since both find their origin in distinctly different values and personality characteristics. Furthermore, Feldman and Johnston (2014) demonstrate that ideology is better represented by at least two dimensions compared to just one. As such, they argue that using a left-right classification forces individuals to classify their multidimensional beliefs on a one dimensional structure. This leads to heterogeneity within such a classification that is structural by design. Jost, et al. (2009) also allow for

two dimensions, i.e. an economic and social one, and argue that they are theoretically different and only weakly correlated. This opens up the possibility for an individual to be more right-wing on one dimension, but left-leaning on the other. Based on similar findings, Treier and Hillygus (2009) argue that this leads individuals to be, so-called, ‘cross-pressured’, even though they have coherent political beliefs on each separate dimension. Achterberg and Houtman (2009) find additional evidence in favour of a two-dimensional representation of political beliefs.

However, whereas most assume a two-dimensional economic and social structure, Otjes (2017) shows in a recent study that, even when considering only economic preferences, a left-right structure is not an adequate fit. The take-away from these studies is, as Carmines and D’Amico (2015, p. 206) state: ‘If the basic measurement of ideology is flawed, it is likely that insights from research into both the ideological character of the public and the consequences of ideological thinking cannot be trusted.’ Yet, the use of one-dimensional measures of ideology in political economy has been persistent (e.g. Alesina, et al. (2018); Bjornskov, et al. (2013); Olivera (2015); Pitlik, et al. (2011)).

Relying on a one-dimensional scale means strict assumptions are needed. Firstly, you need to assume that left-wing and right-wing ideology are opposites of each other. This implies that individuals that are right-wing on economic issues, should also be right-wing on for example social issues. Secondly, you need to assume that beliefs are mutually exclusive and that individuals label their political beliefs along a left-right scale. Moreover, using such a measure suggests that the meaning of left and right is the same across individuals and relatively stable over time. The validity of these assumptions is challenged by earlier work in political science and political psychology (Conover & Feldman (1981); Feldman and Johnston (2014) and references therein; Jost, et al. (2009); Maynard (2013); Treier & Hillygus (2009); de Vries, et al. (2013)). Even though allowing for a second dimension is an improvement on one dimension, these studies force political beliefs to follow a two-dimensional structure by conducting only confirmatory analyses (e.g. Achterberg & Houtman (2009); Feldman & Johnston (2014); Treier & Hillygus (2009)).

In Chapter 4, I improve upon these studies by having no a priori assumptions about the number of dimensions of ideology. I study the dimensionality of voter ideology using an exploratory factor analytical approach and use accepted statistical methods to decide on the appropriate number of dimensions. Moreover, I do not restrict

dimensions to be uncorrelated with each other, and I validate the structure of political beliefs using a separate subset of the dataset. I identify and validate four relevant dimensions that capture preferences for economic equality, preferences for markets and efficiency, preferences for personal and cultural freedom, and nationalist, protectionist and populist preferences. These dimensions are correlated with each other, meaning they are not mutually exclusive. However, correlations are relatively low, indicating that each dimension captures a separate element of individual voter ideology.

Using the Dutch party space to further examine the dimensions, I find that there is much heterogeneity in preferences between voters of parties that remains hidden when relying on a left-right measure. Moreover, I find that voters interpret left and right on the basis of different ideological dimensions. A right-wing score for one party based on the ideology of their constituents is, thus, not necessarily directly comparable with a similar right-wing score for another party. I continue with an analysis of the determinants of multidimensional ideology and compare these to the determinants of the traditional left-right measure of ideology. I find that there is substantial heterogeneity in these determinants and using a one-dimensional left-right representation of voter ideology conceals most of it.

1.3 SOURCES OF HETEROGENEITY IN POLITICAL IDEOLOGY

After considering measurement issues, I continue with underlying sources of ideology as I study values and beliefs in Chapter 5. There is consensus among scholars that political attitudes originate in individuals' values (e.g., Carmines & D'Amico (2015); Feldman (1988); Rokeach (1973); Schwartz, et al. (2010)). Rokeach (1973) argues, for example, that differences in political beliefs can be explained by heterogeneity in values of individuals. Inglehart (1971) goes a step further and shows that values do not only impact political ideology, but also affect long-term changes in partisanship. Relating the effect of values to ideology and political sophistication, Goren (2004) claims that all individuals have core beliefs and values, on which they depend when taking a position regarding political issues. Similar conclusions are drawn by Jacoby (2006). As such, these authors argue that the electorate relies on ideology to make sense of the political world. Moreover, Piurko, et al. (2011) find that people's values are determinants underlying political ideology that are more important than someone's socioeconomic position.

Taking into account that differences in political ideology find their origin in values, I am interested in examining individual heterogeneity in such values. To do so, I study differences in values between students of different disciplines in Chapter 5. As such, I examine how study choice, both as a self-selection mechanism and over time, affects values that underlie differences in political ideology. Aside from values, I also examine beliefs. As the goal of higher education is to provide students with knowledge and information about how the world works, there is agreement on the notion that studying a certain discipline affects beliefs (see Hastie (2007) and Mayhew, et al. (2016) for reviews). However, there is not yet a consensus on whether this is also the case for values. I, therefore, study both in Chapter 5, as this allows me to compare the effect of field-of-study on values with that on beliefs.

The focus is on business students, as the curriculum of business schools is claimed to take a positive perspective, whereas in practice many of the subjects taught in business are value-laden. The most apparent example of this are courses in business ethics, that inherently contain value judgements. Moreover, business students often end up in leadership and managerial positions, in which they make decisions with potential major impact. After corporate scandals, in which business managers were accused of ethical misconduct (e.g. Enron), part of the blame has subsequently been put on these managers' education (Goshal (2005); Haski-Leventhal, et al. (2017); Hummel, et al. (2018); Matten & Moon (2004)). Therefore, I focus on the effect that studying business has on students' values and beliefs, and compare business students with those enrolled in other disciplines.

Regarding ideological differences between students of business and economics and students of other disciplines, Stigler (1959) was the first to conclude that studying economics makes for individuals with more politically conservative (i.e., right-wing) attitudes. This finding has been corroborated by some (Allgood, et al. (2012); Fischer, et al. (2017); Luker & Proctor (1981)). However, others argue that, while students of economics and business might seem to be more right-wing, the effect disappears when controlling for unobserved individual characteristics (Delis, et al. (2018)). These findings suggest that there are variables related to both ideology and studying business/economics, which could explain the initial relationship between the latter two; potential candidates being the values and beliefs of students. Fischer, et al. (2017)

hint, as well, that differences in values between students from different disciplines might be underlying their results, as they could be influencing both study choice and ideology.

Existing research examining differences between business students and students of other disciplines differentiates between selection effects and, what I call, socialisation effects. Selection effects refer to the initial differences between students that prompt them to self-select into a specific discipline. Socialisation effects refer to changes over the course of education, which are the result of (a combination of) learning, social interactions and/or students dropping-out. Sidanius, et al. (2003), for example, find significant selection-effects among students on the basis of attitudes with regard to social equality, but no effects of socialisation over time. Frey and Meier (2005) also only find evidence for selection, not socialisation, of students of business economics when studying selfish behaviour. Cipriani, et al. (2009) and Haucap and Just (2010) find both selection and socialisation effects when studying situations in which there is a trade-off between efficiency and ethical behaviour, and differential price and allocation mechanisms in situations of scarcity.

I add to this literature by examining both beliefs and values, while at the same time distinguishing between economics and business students. As exposure to economics courses is often blamed for the harmful effects of business education (e.g. Ghoshal (2005); Racko (2017)), differentiating between the two groups of students allows me to evaluate the role of economics. Moreover, I add to the literature on field-of-study differences by investigating a set of beliefs and values. This chapter also adds to the literature on the origins of ideology by examining education (in a certain field) as one of the determinants explaining differences in the values underlying political attitudes.

By comparing values and beliefs of business students with those of students from four other disciplines (i.e. economics, law, psychology and social sciences) at the start and the end of their first year, I am able to test for selection and socialisation effects. I find that business students at the start of their academic education differ significantly from students of other disciplines in terms of their values and beliefs. Moreover, I find that some of these differences are persistent over time. Looking at changes within, instead of differences across disciplines, I find that business students change their beliefs over the course of their first year of education more often than students of other fields. Additionally, there are changes in values of business students that materialise after only one year of education. I, thus, conclude that business students self-select into the

field on the basis of values and beliefs. Furthermore, compared to those at the start of their first year, business students at the end of the year show significant changes in beliefs and values. This indicates that there are socialisation effects from studying business.

In Chapter 6, I bring the three parts of this thesis together by discussing how the findings in this thesis impact the study of political ideology. I also use this concluding chapter to relate the findings in this thesis to each other and I explore exciting avenues for future research.

