

Causal Effects of Learning about Income Inequality

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**2019 Asia-Pacific Meeting of the
Economic Science Association**

New York University Abu Dhabi
January 24 – 26, 2019

Questions

- How does provision of information about income inequality change beliefs and preferences?
- Does **asking** about downsides of taxation reduce demand for redistribution?

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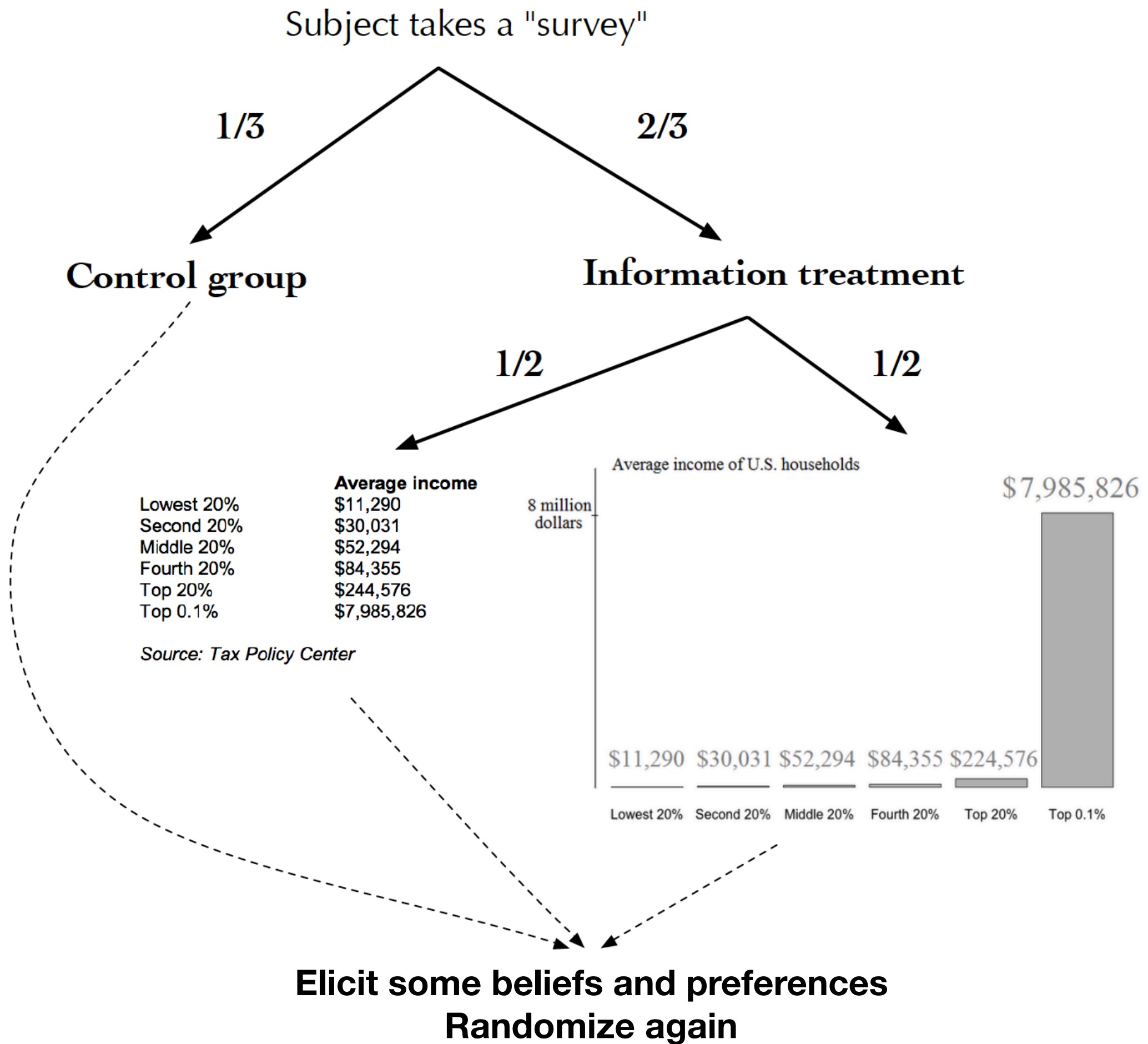
- How does provision of information about income inequality change beliefs and preferences?
 - The government should do SOMETHING
 - The government should NOT tax more
 - Getting ahead is harder
- Does **asking** about downsides of taxation reduce demand for redistribution? No, priming does not lead to an increase in anti-tax preferences

Existing view: Lack of information drives policy preferences

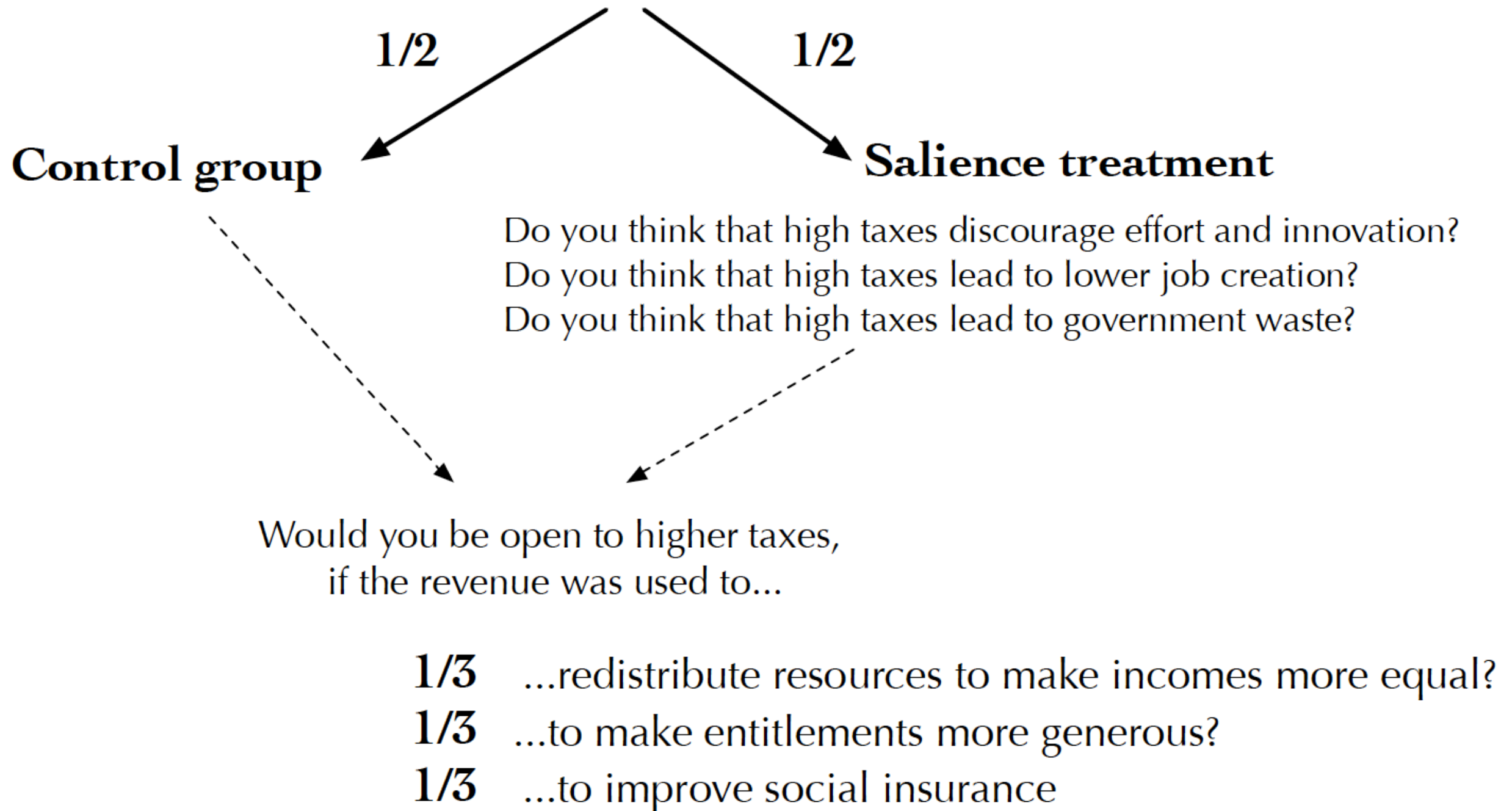
- “Americans appear to drastically underestimate the current level of wealth inequality” (Ariely and Norton, 2011)
- “[M]ost Americans support tax cuts not because they are indifferent to economic inequality, but because they largely fail to connect inequality and public policy.” (Bartels, 2005)
- Bush tax cuts involved “the deliberate crafting of policy to distort public perceptions” (Hacker and Pierson, 2005)
- **Counter-point** - GOP firm Public Opinion Strategies: 61 % of Americans believe the Trump tax cuts benefit the rich more than they benefit middle class families.

Objectives

- Better understand how voters process information
- Study what models people hold
 - Fair/unfair economy*
 - (In)efficient tax collection*
- Analyze changes in beliefs after exogenous information exposure
 - Desirability of public action against inequality
 - Link between hard work and reward



Questions: Beliefs about opportunity & general preferences



Results

- Preference for abstract action
- People who want to get ahead can make it through hard work
- Role of optimism in moderating effects of information

Results

- Preference for abstract action
 - “Do you think that the government should do something about income inequality?”

Social desirability bias? Focus on differences across treatments

- People who want to get ahead can make it through hard work
- Role of optimism in moderating effects of information

Do you think that the government should do something about income inequality?

No Yes No opinion

Income Graph/Table

shown



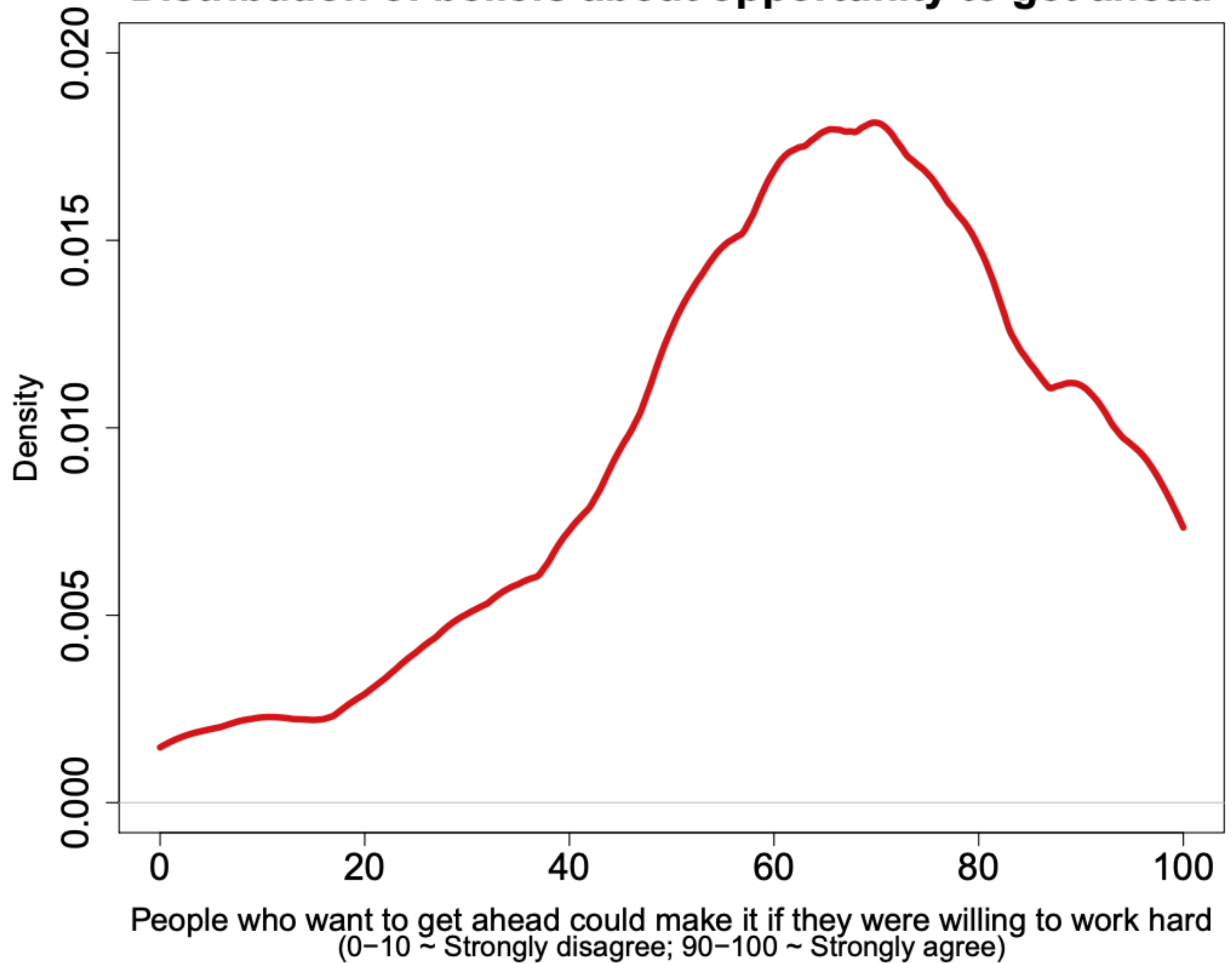
No information

provided

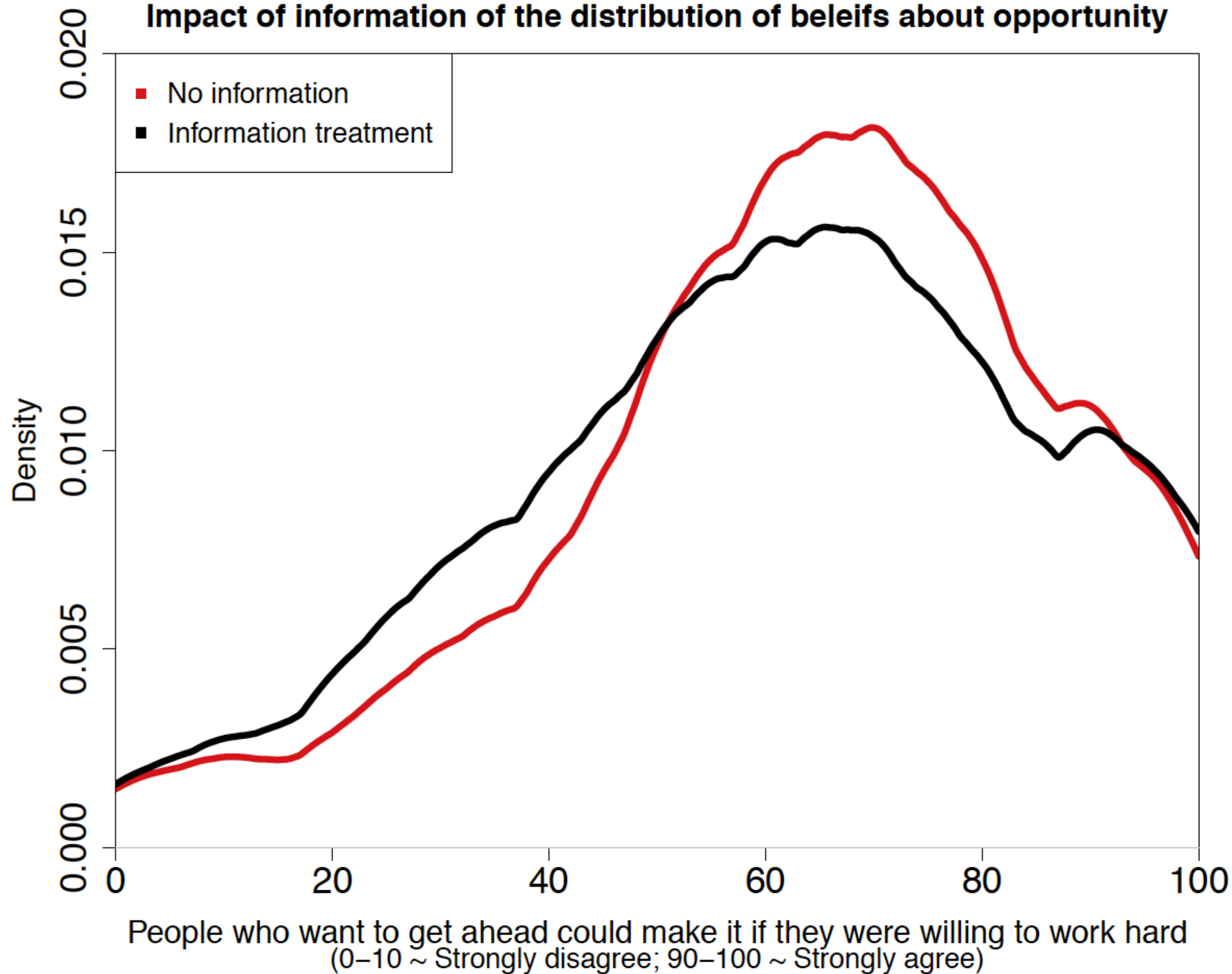


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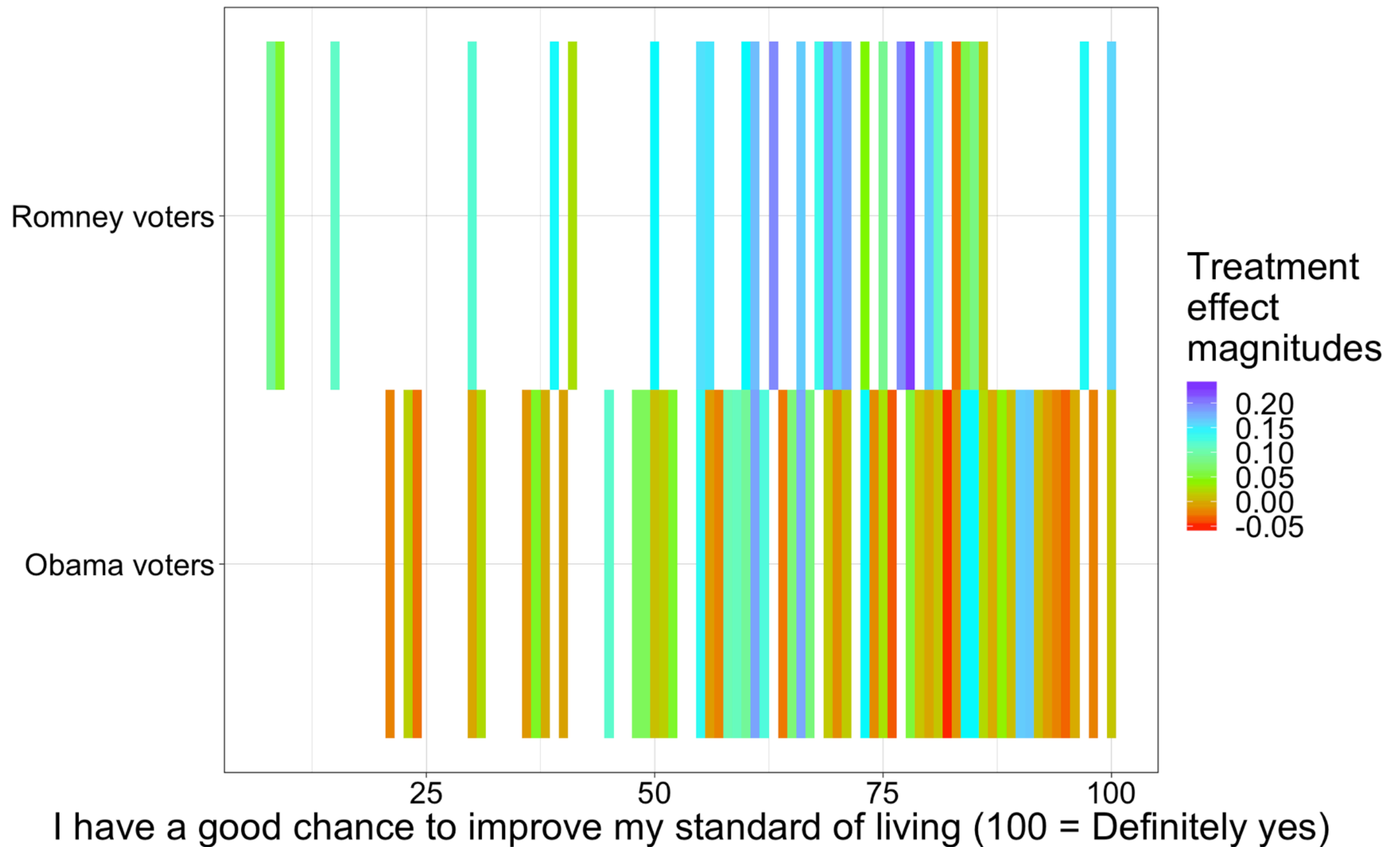
Distribution of beliefs about opportunity to get ahead



Impact of information of the distribution of beliefs about opportunity



Heterogeneous effects



Other measured responses

- Would you be open to higher taxes, if the revenue was used to redistribute resources to make incomes more equal?
- Would you be open to higher taxes, if the revenue was used to make entitlements more generous?
- Would you be open to higher taxes, if the revenue was used to improve social insurance (such as unemployment insurance)?

Other measured responses

- Would you be open to higher taxes, if the revenue was used to redistribute resources to make incomes more equal? **No effect of information**
- Would you be open to higher taxes, if the revenue was used to make entitlements more generous? **No effect of information**
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Other measured responses

- Would you be in favor of a law that says bankers' bonuses must be no larger than bankers' salaries, which would make bonuses smaller?
- Sweden and France, a new law would require bankers' bonuses to be no larger than bankers' salaries. This would make bonuses smaller. Would you support such a law?

Other measured responses

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Open-ended reactions to information

- “I believe that most people earn what they deserve. **Making a lot of money doesn’t make you evil.** Most of the time, those people worked hard to get where they are.”
- “I think that **everyone has the chance** to be in that top .1 percent.”
- “I believe that the people on the right side of the graph making the most money are **the people who have worked the hardest**, and therefore deserve the money they are making.”
- “I think the gravity of this stratification is a little overblown.”

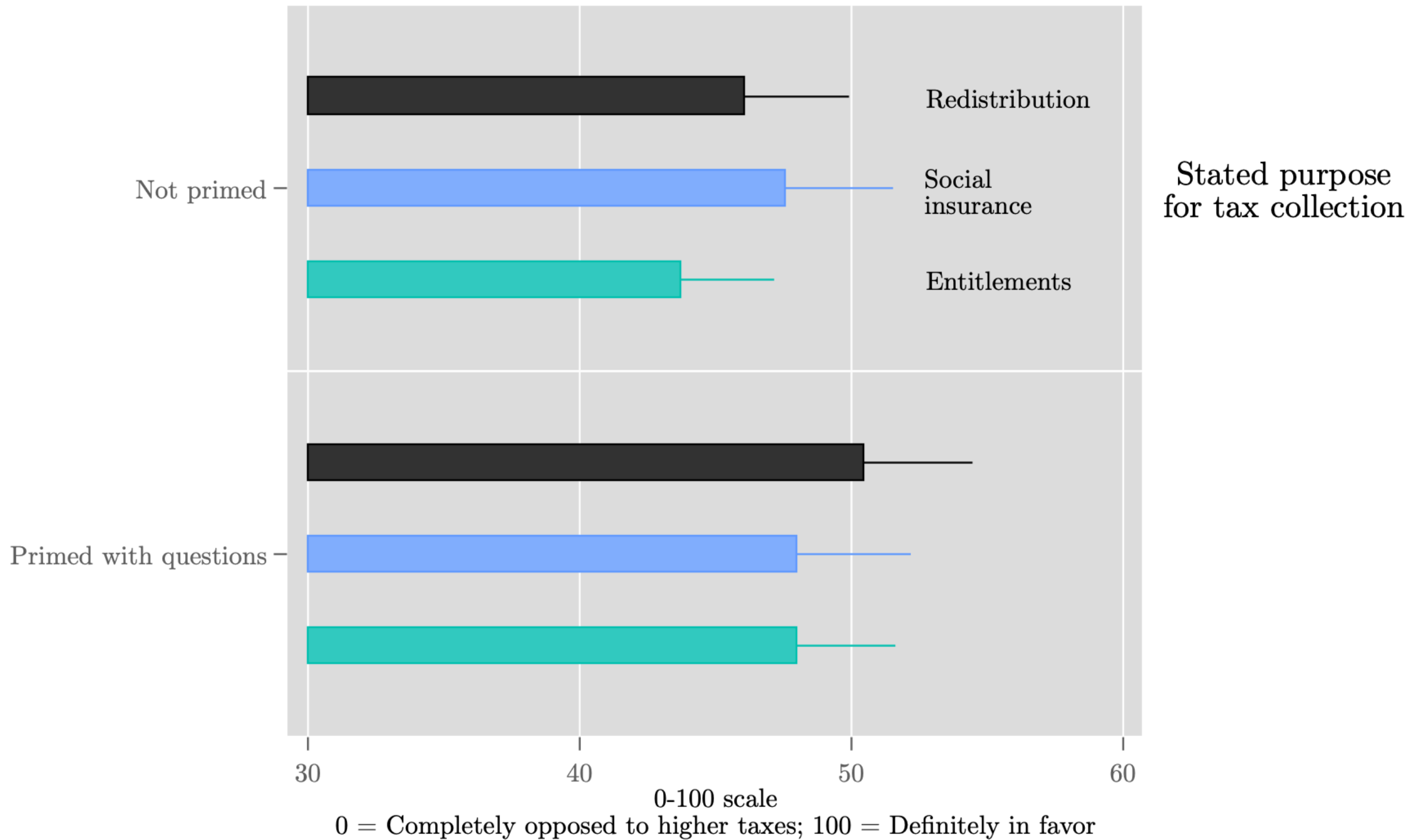
Open-ended reactions to information

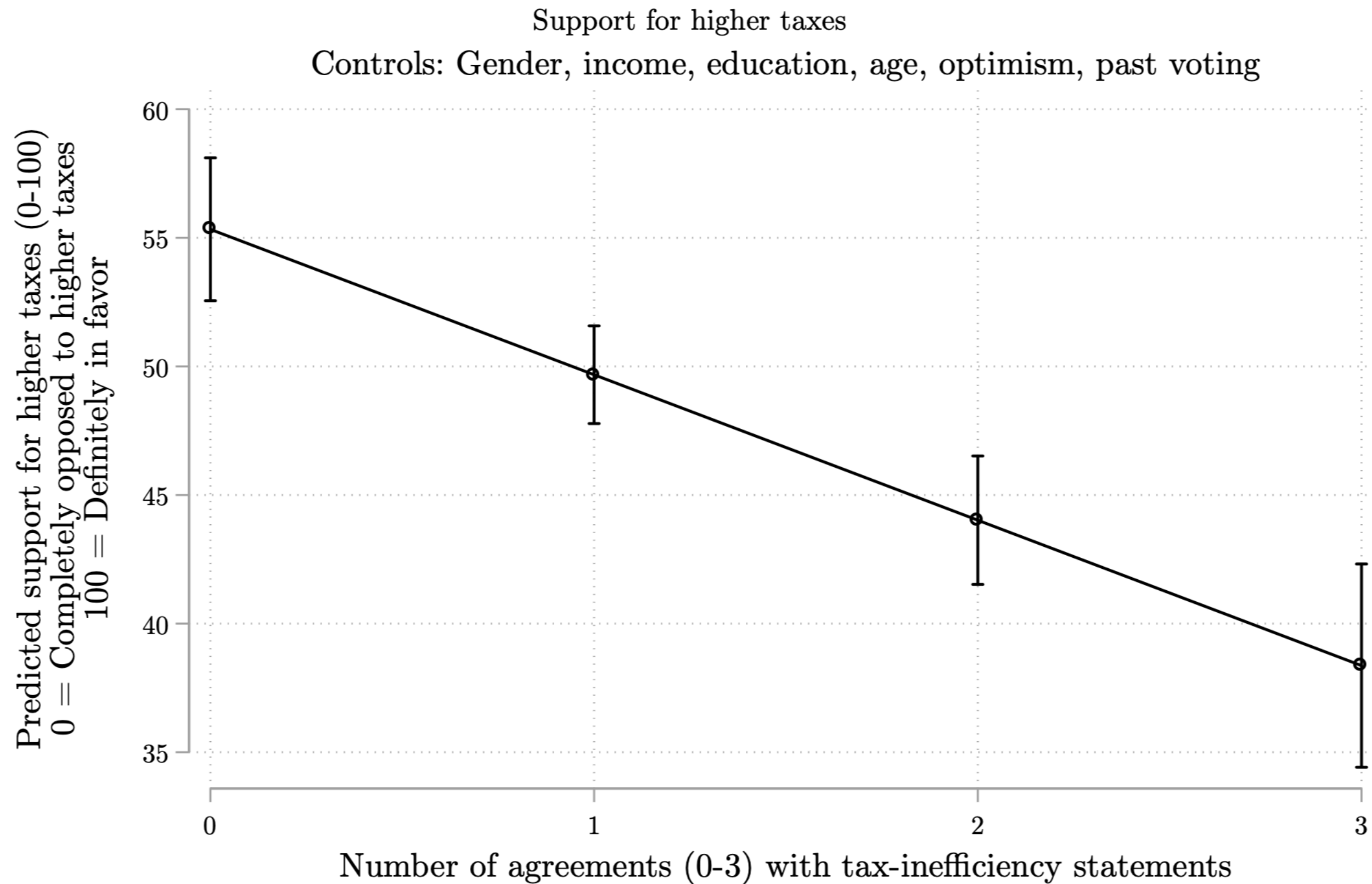
- “I’m not against people being wealthy or successful but it can get absurd like this.”
- “I think this is pretty sickening”
- “I am surprised that I make more money than 20% of the population.”
- “Some people are very very well off, and the poor are truly poor.”
- “wow, that’s amazing. . . that sure gets you thinking”

Results: The priming experiment

- Priming subjects with questions
 - Do you think that high taxes discourage effort and innovation?
 - Do you think that high taxes lead to lower job creation?
 - Do you think that high taxes lead to government waste?
- Association between supply-side beliefs and opposition to taxation

Predicted support for higher taxes in the unprimed vs. primed group





Recap

1. (Focus today) Limited information
2. (Focus today) Beliefs about the costs of taxation
[a supply-side story]
3. Optimism about self (I don't want to be taxed later)
4. Attribution of stereotypes to the poor
5. Distaste for government action (tolerance of inequality; mis-trust of gov. motives & competence)

Americans sympathize with supply-side / libertarian arguments **less** than generally believed

- Not easy to prime
- Most are not concerned about the effect of taxes on economic growth

■ Agree ■ Disagree

Making sure the wealthiest Americans pay their fair share in taxes will help grow the economy.

88%

12%

Lowering taxes on the highest-earning Americans will help grow the economy.

28%

72%

Not One Penny survey conducted by Global Strategy Group. Survey conducted October 17-25, 2017 in 15 Senate battleground states (n = 1,500 likely 2018 voters).

Chart: https://navigatorresearch.org/wp-content/uploads/2018/10/The-Evolution-of-Public-Opinion-on-Taxes_Final2.pdf

Thank you

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