

# Causal Effects of Learning about Income Inequality

Jan Zilinsky, NYU



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# 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 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

Subject takes a "survey"

$\frac{1}{3}$

$\frac{2}{3}$

Control group

Information treatment

$\frac{1}{2}$

$\frac{1}{2}$

Lowest 20%  
Second 20%  
Middle 20%  
Fourth 20%  
Top 20%  
Top 0.1%

**Average income**

\$11,290  
\$30,031  
\$52,294  
\$84,355  
\$244,576  
\$7,985,826

*Source: Tax Policy Center*

Average income of U.S. households

8 million  
dollars

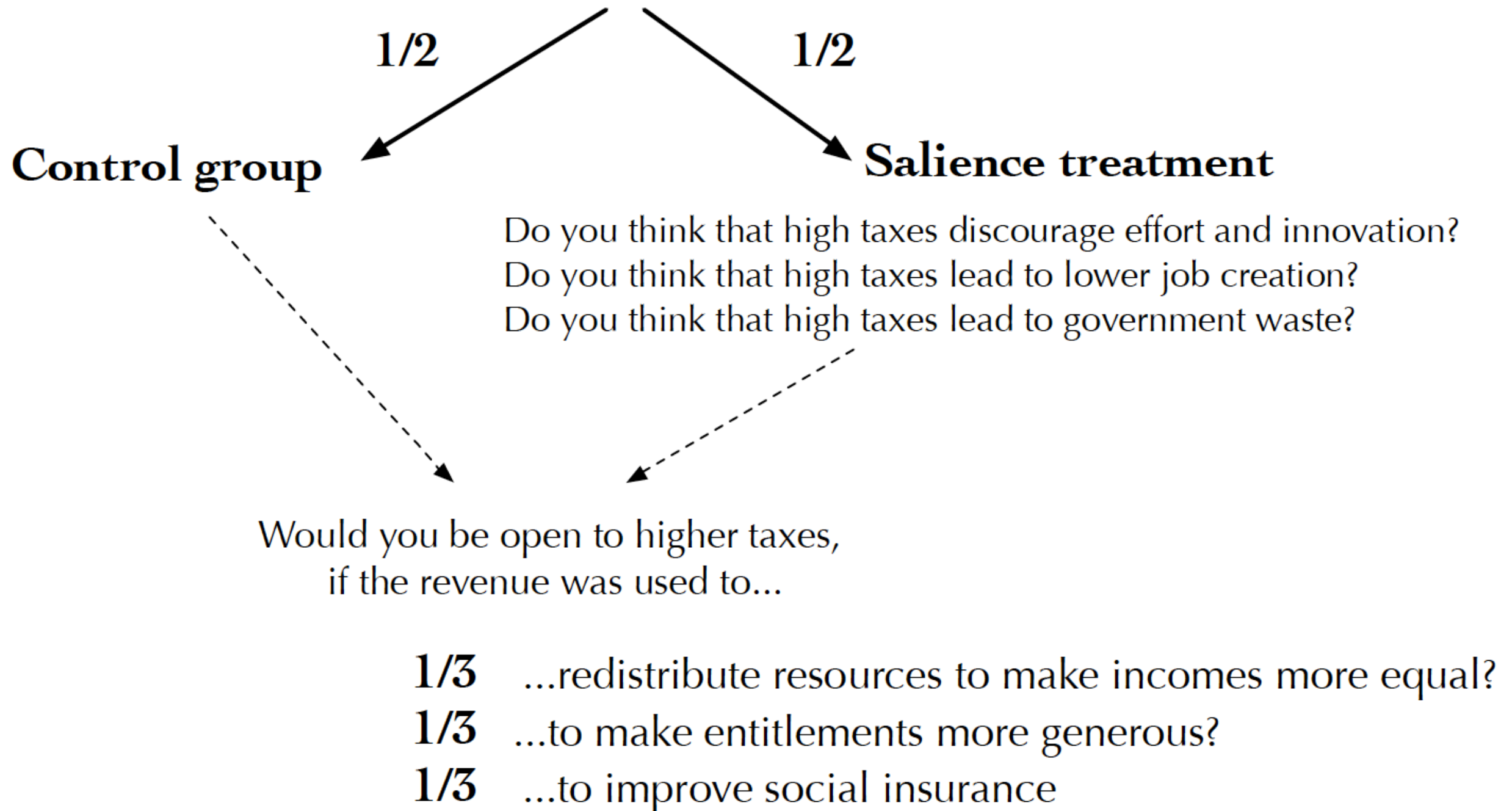
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\$11,290 \$30,031 \$52,294 \$84,355 \$244,576

Lowest 20% Second 20% Middle 20% Fourth 20% Top 20% Top 0.1%

Elicit some beliefs and preferences  
Randomize again

## 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

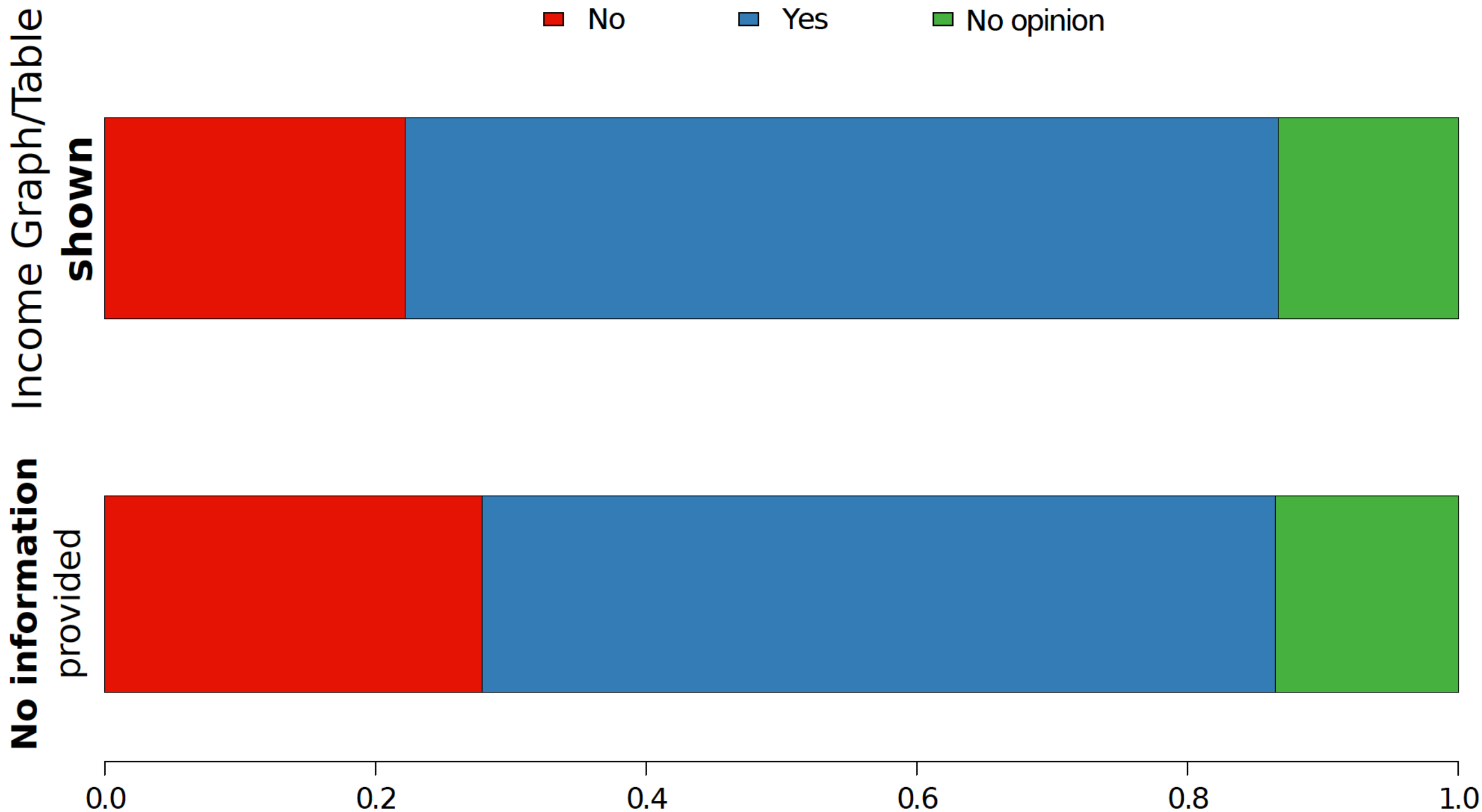
- Preference for abstract action
  - “Do you think that the government should do something about income inequality?”

Social desirability bias? Focus on differences across treatments

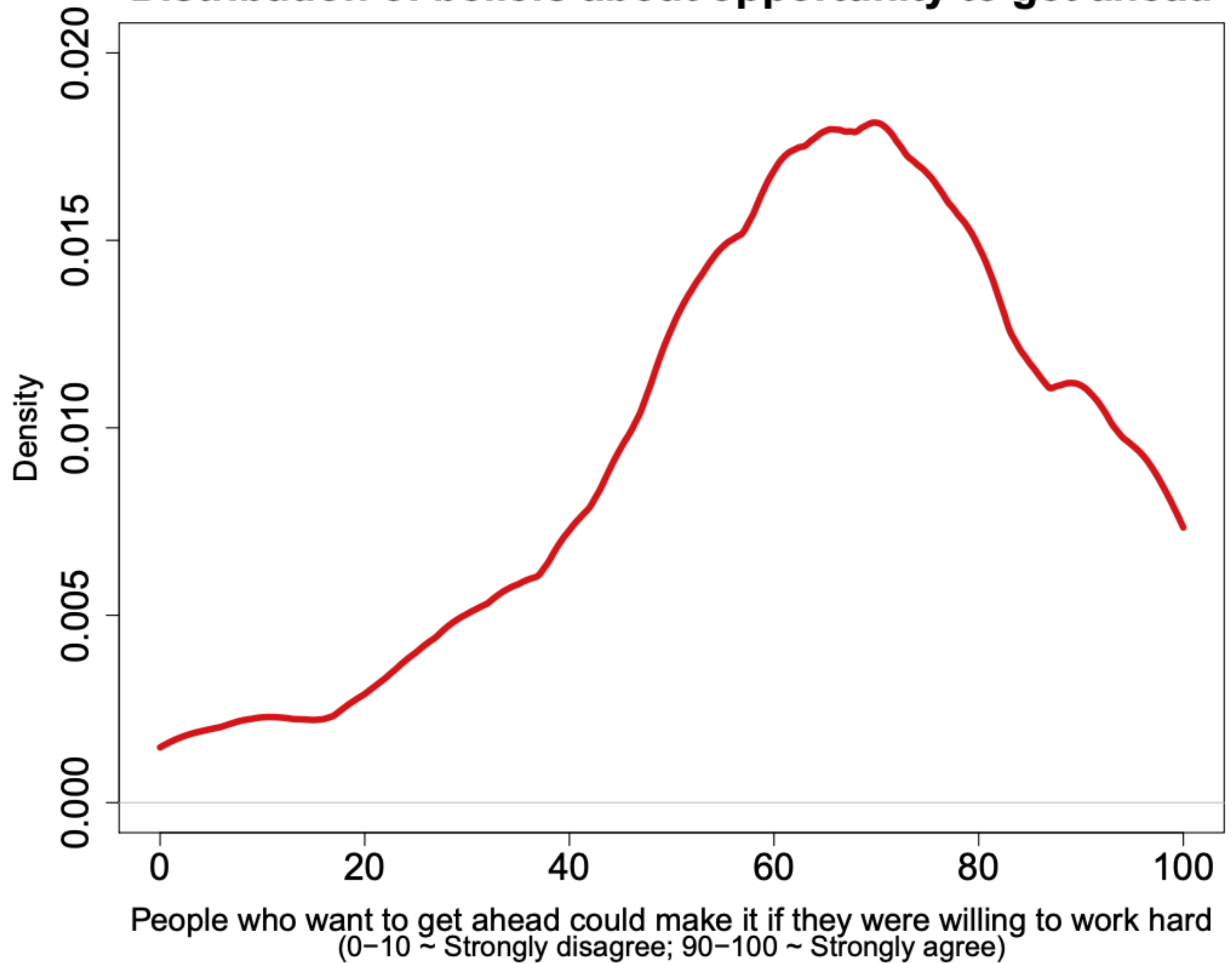
- People who want to get ahead can make it through hard work
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# Do you think that the government should do something about income inequality?

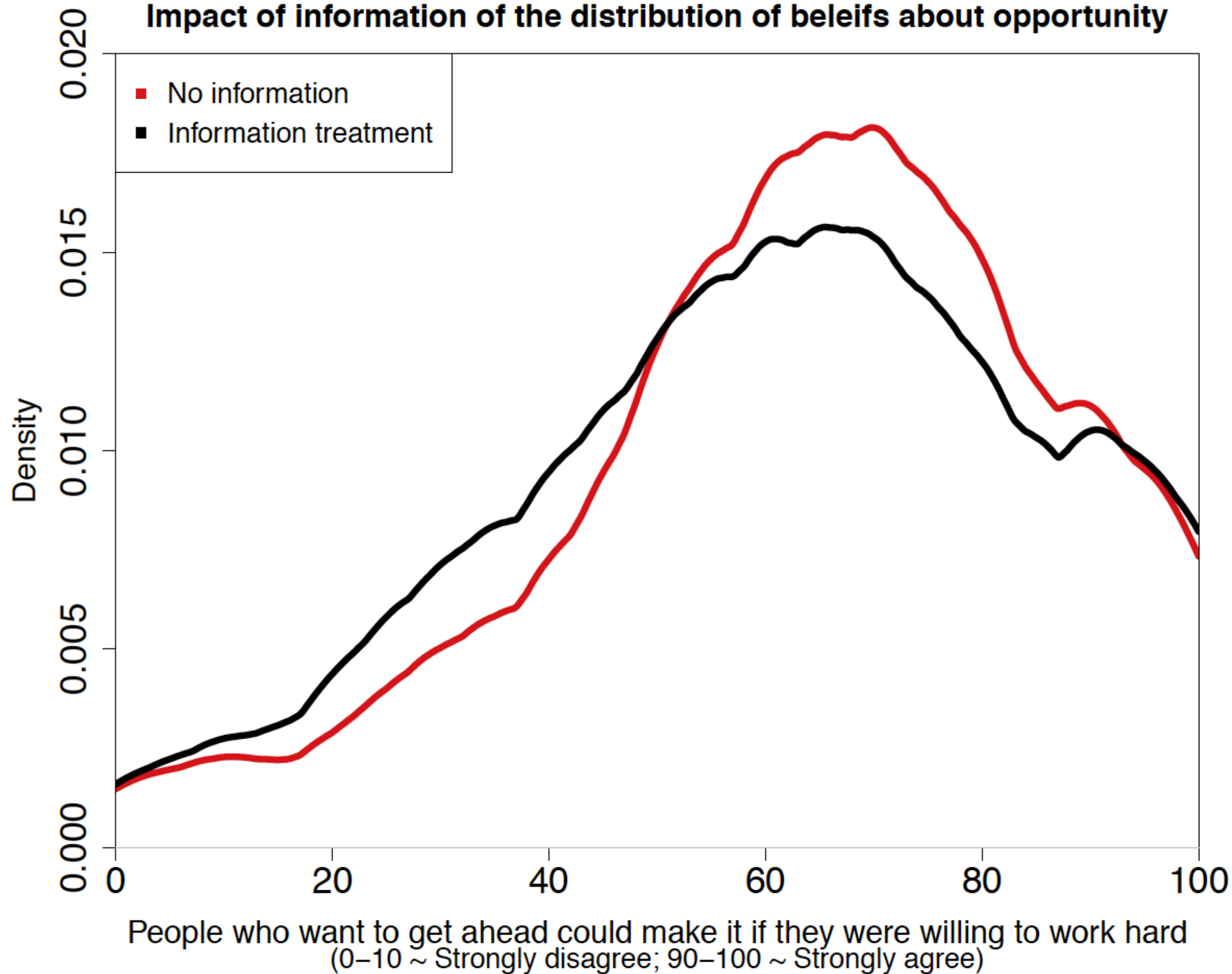
No Yes No opinion



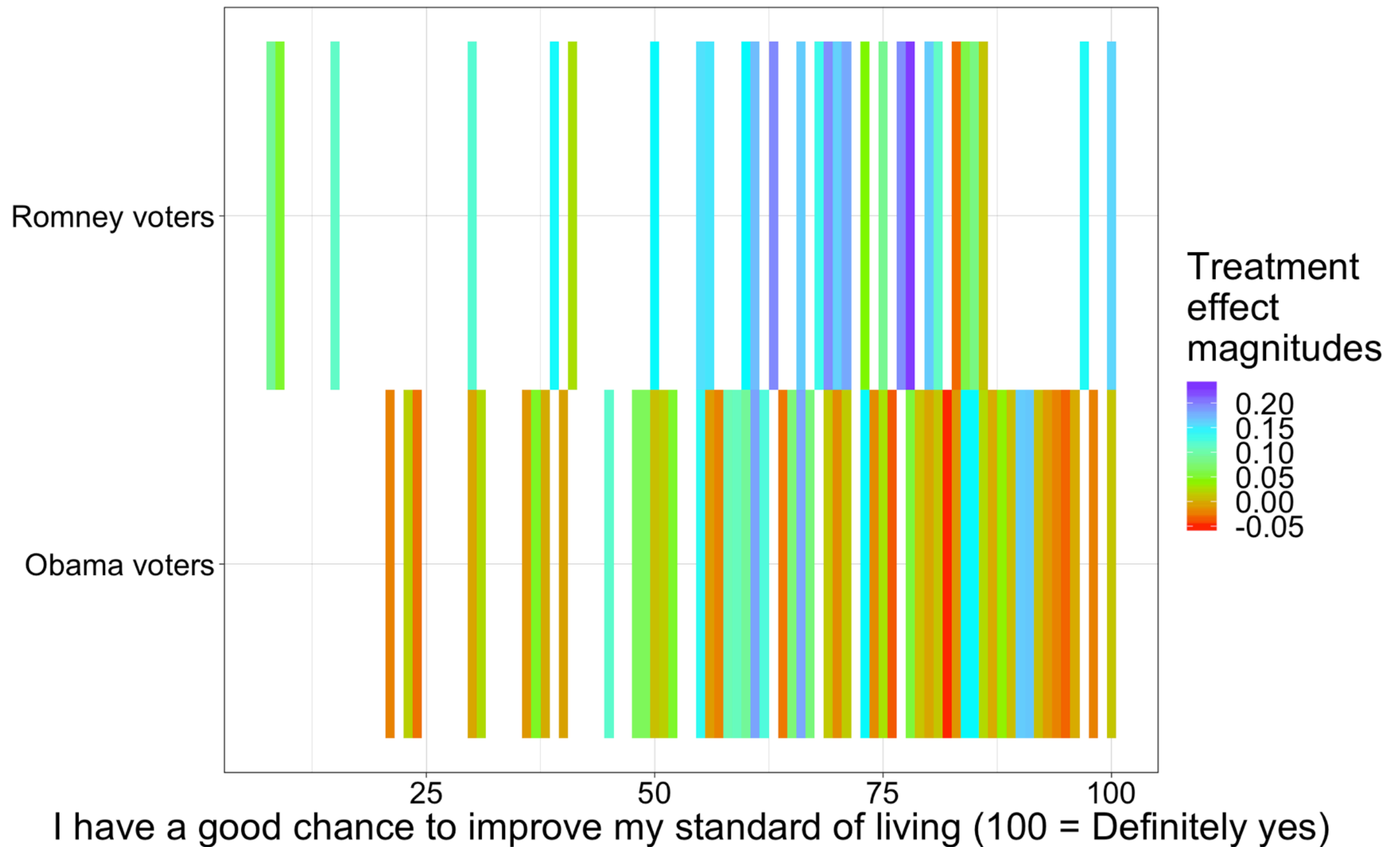
# Distribution of beliefs about opportunity to get ahead



## 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

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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?



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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.”

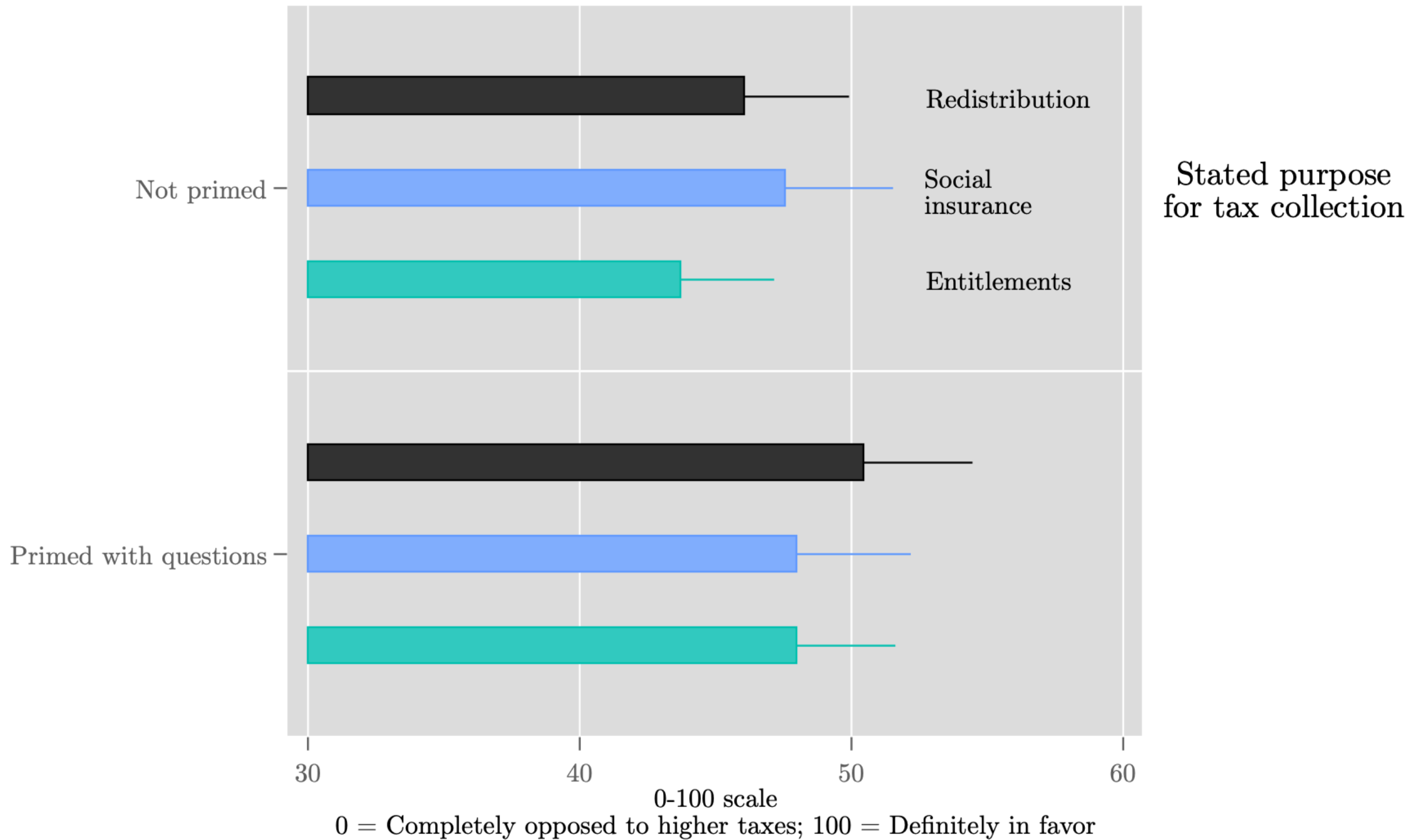
# Open-ended reactions to information

- “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”

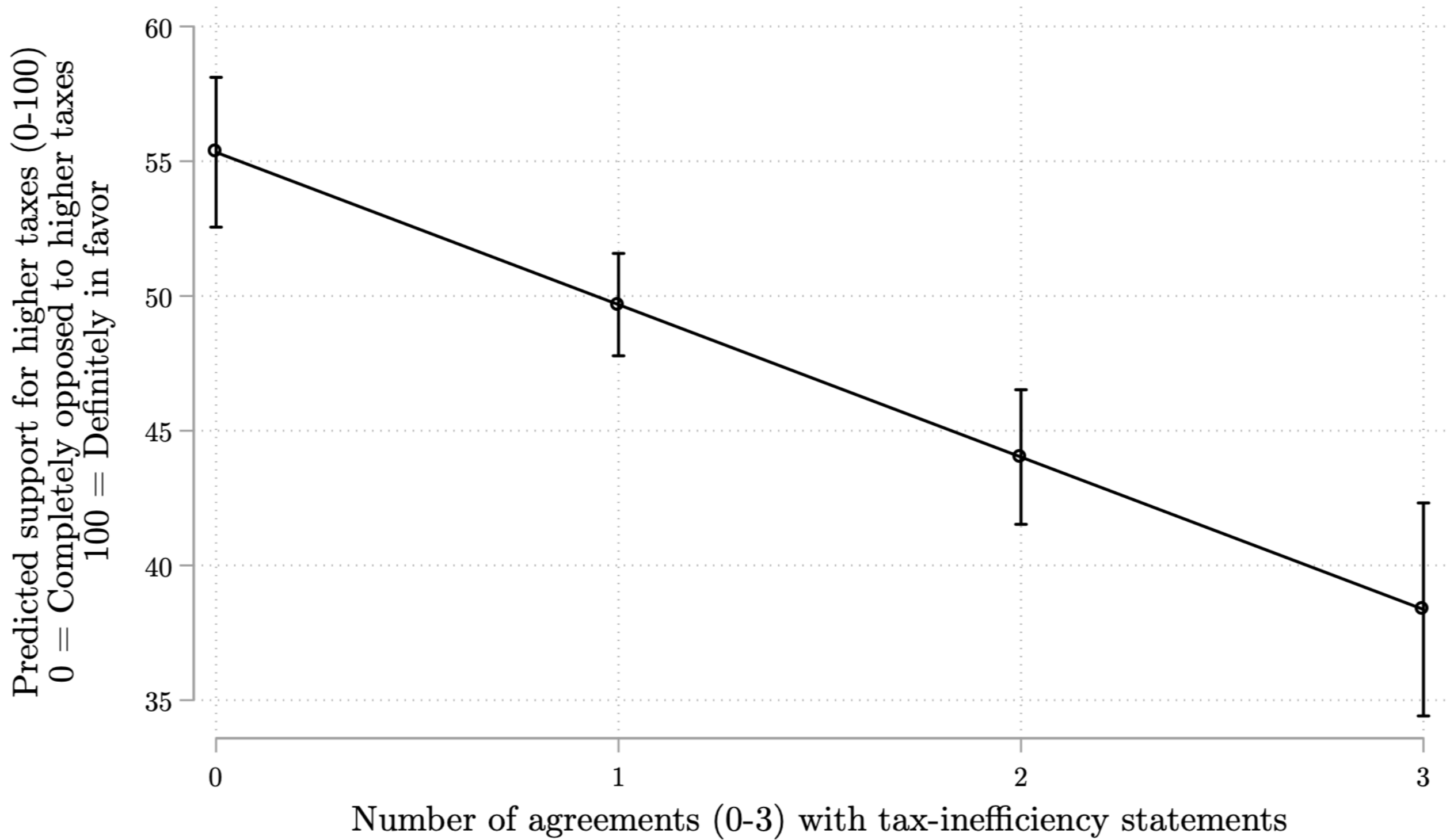
# Results

- 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



Support for higher taxes  
Controls: Gender, income, education, age, optimism, past voting



# 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)

Thank you

Comments or questions: [zilinsky@nyu.edu](mailto:zilinsky@nyu.edu)

@janzilinsky



