

Preferences for redistribution: Evidence from an on-line experiment

Jan Zilinsky

International Society for New Institutional Economics, Duke University

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Big question:

What is the relationship between information and political preferences?

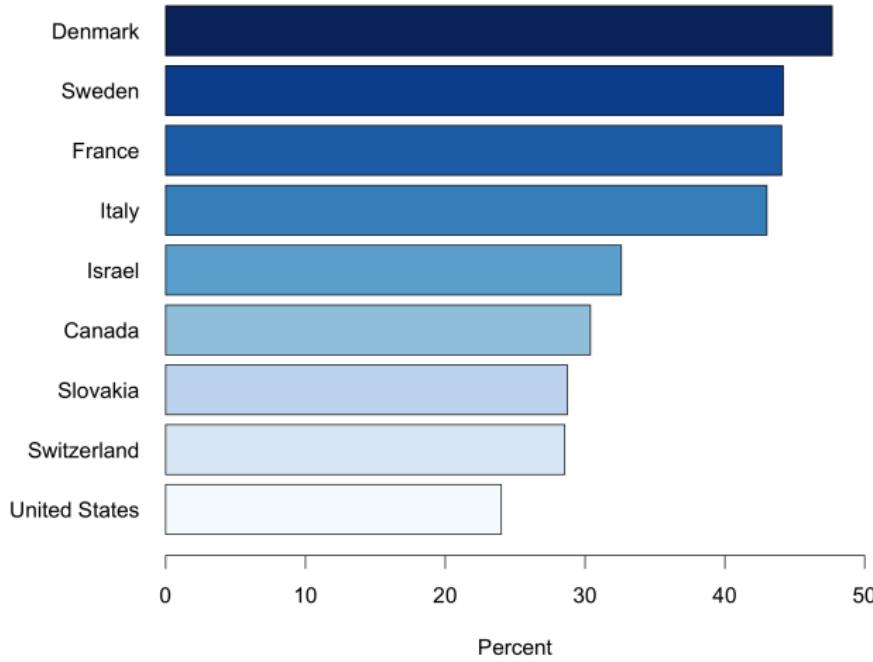
Big question:

What is the relationship between information and political preferences?

Smaller question:

Can the magnitude of taxes U.S. (bottom among the OECD peers) be explained by low awareness of income inequality?

Total tax / GDP



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Symposia

The Top 1 Percent

Facundo Alvaredo, Anthony B. Atkinson, Thomas Piketty, and Emmanuel Saez,

"The Top 1 Percent in International and Historical Perspective"

N. Gregory Mankiw, "Defending the One Percent"

Steven N. Kaplan and Joshua Rauh, "It's the Market:
The Broad-Based Rise in the Return to Top Talent"

Josh Bivens and Lawrence Mishel, "The Pay of Corporate Executives and
Financial Professionals as Evidence of Rents in Top 1 Percent Incomes"

Miles Corak, "Income Inequality, Equality of Opportunity,
and Intergenerational Mobility"

Adam Bonica, Nolan McCarty, Keith T. Poole, and Howard Rosenthal,
"Why Hasn't Democracy Slowed Rising Inequality?"

Why is intervention limited?

All valid hypotheses:

- ① Optimism about self (I don't want to be taxed later)
- ② Distaste for government action; tolerance of inequality; mis-trust of government's motives & competence
- ③ Attribution of stereotypes to the poor
- ④ (Focus today) Limited information

The claim is...

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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)

Division of labor

- If so many can gain from transfers, what is going on? (many ‘information’ stories)
- Pollsters and political scientists
 - ▶ What do American citizens know about:
 - ★ Spending categories of the budget
 - ★ The deficit / Willingness to cut specific expenditures

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 - ▶ What do American citizens know about:
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- Goal here:
 - ▶ Try to understand how voters process information
 - ▶ Not to predict voting but to **study what models people hold**
 - ▶ What do they believe about:
 - ★ The economy
 - ★ The link between work/effort and reward in particular
 - ★ The desirability of public action against inequality

Possible tests of the information hypothesis

① Observational evidence

- ▶ How to measure what people know?
- ▶ What are the relevant controls?
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② Exogenous introduction of information

- ▶ Random assignment \Rightarrow same distribution of knowledge
- ▶ Most subjects will learn something new
- ▶ Compare reactions of the informed group with the control group

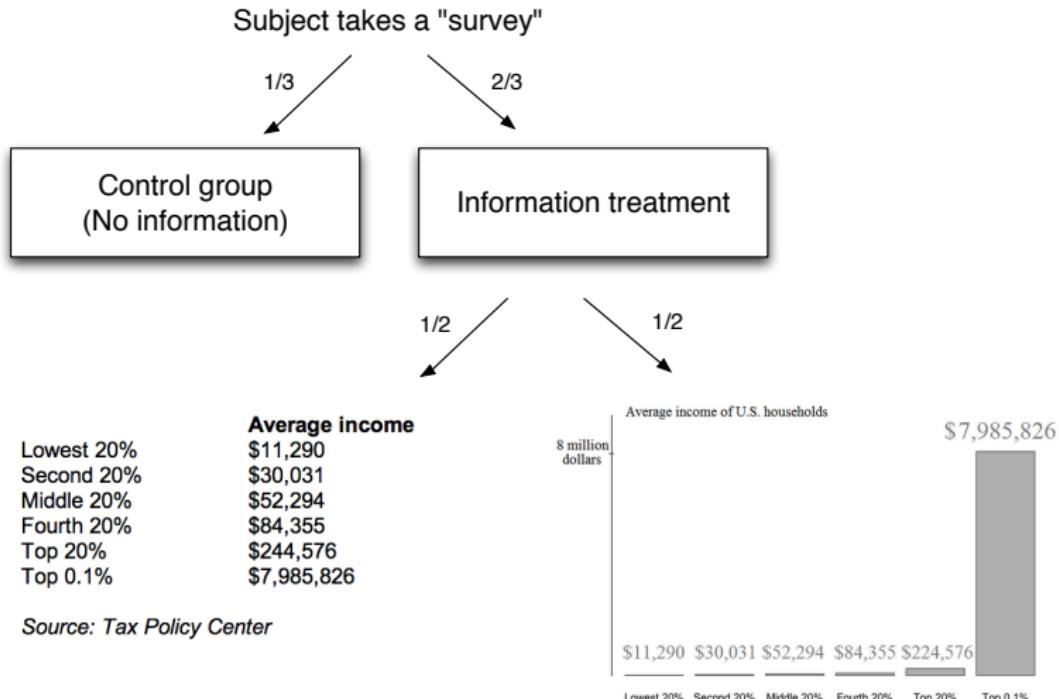
This paper

- Takes the second approach
- Subjects: ~1,300 recruited on-line, located in the U.S.
- Information treatments, one control group
- Ask about taxation and other policy preferences¹
- Inquire whether subjects believe that taxes are harmful

Subjects not aware of the experiment (“lab in the living room”)

¹ Also ask about perceived mobility (framed as opportunities available to the poor).

Design



Main results

- More subjects in favor of *some* government activity

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- More subjects in favor of *some* government activity
- But subjects are not more supportive of redistribution
- Some increase in pessimism

Sample quotes

- “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.”

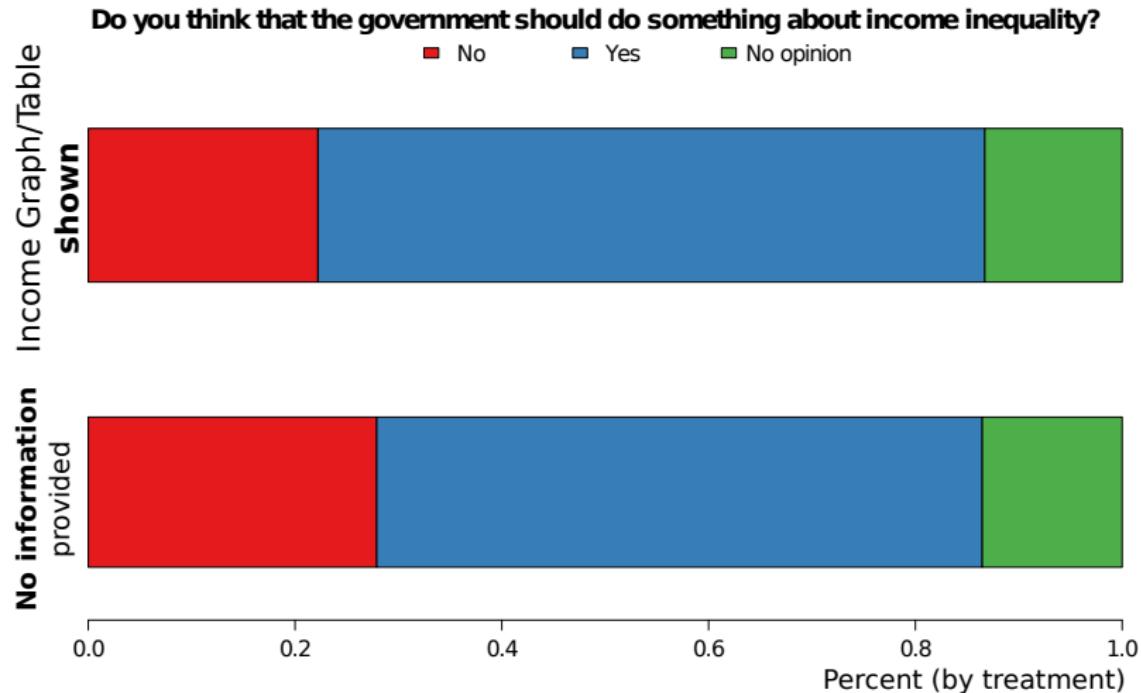
Other reactions

- “I am surprised that I make more money than 20% of the population.”
- “I’m not against people being wealthy or successful but it can get absurd like this.”

Doing something

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

Doing something



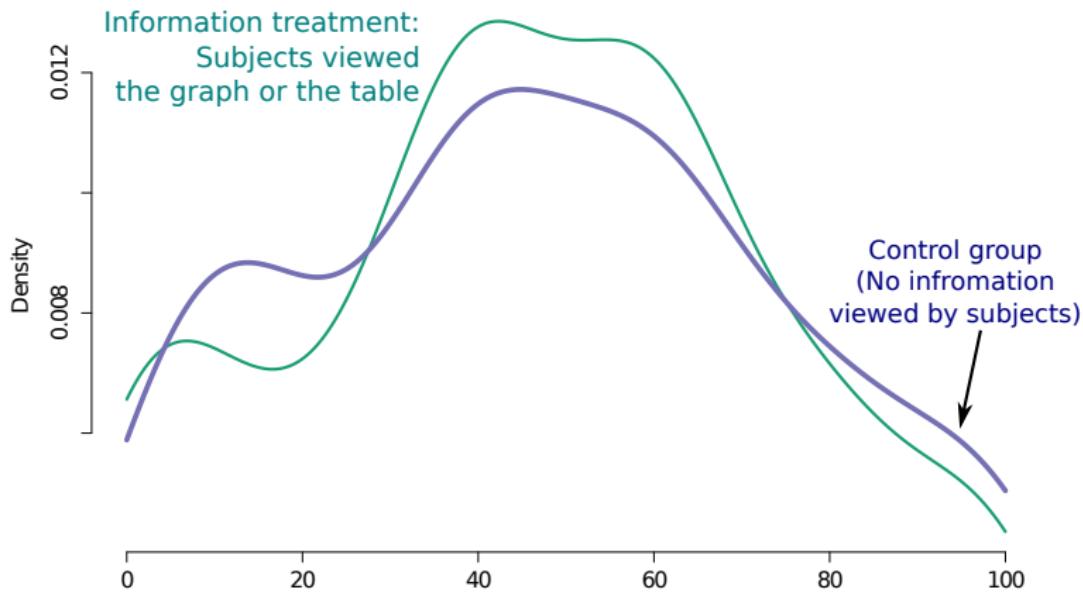
Support for higher taxes?

Ask subjects if they would consider supporting higher taxes

Purposes: Social insurance / Entitlement / Redistribution

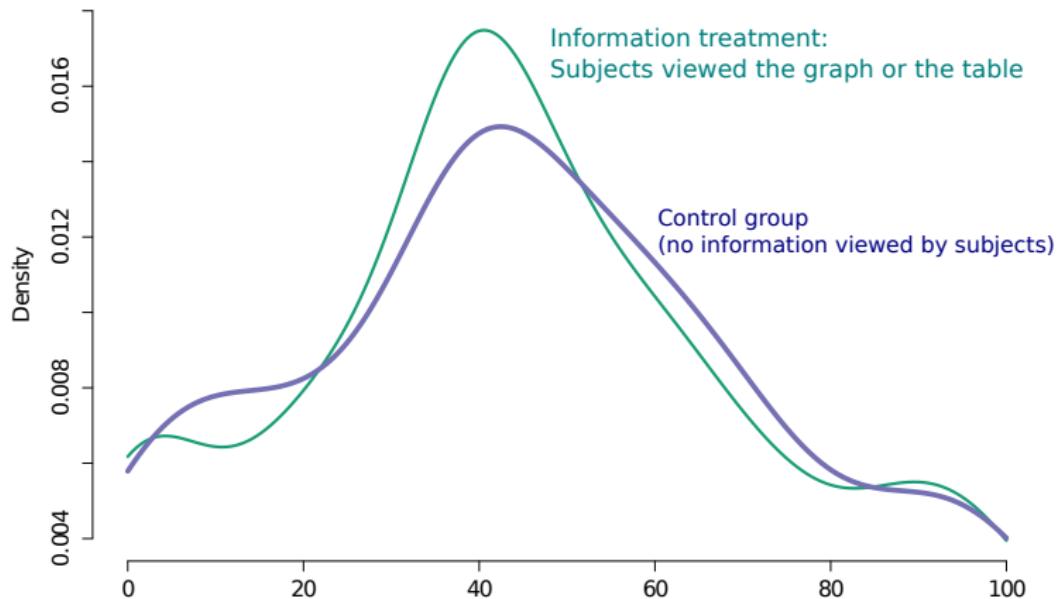
Support for higher taxes?

Would you be open to higher taxes? (Revenue used for social insurance)



Support for higher taxes?

Would you be open to higher taxes? (Revenue used for entitlements)



Beliefs about fairness and mobility

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 - ▶ Odds of agreement fall by up to 39%

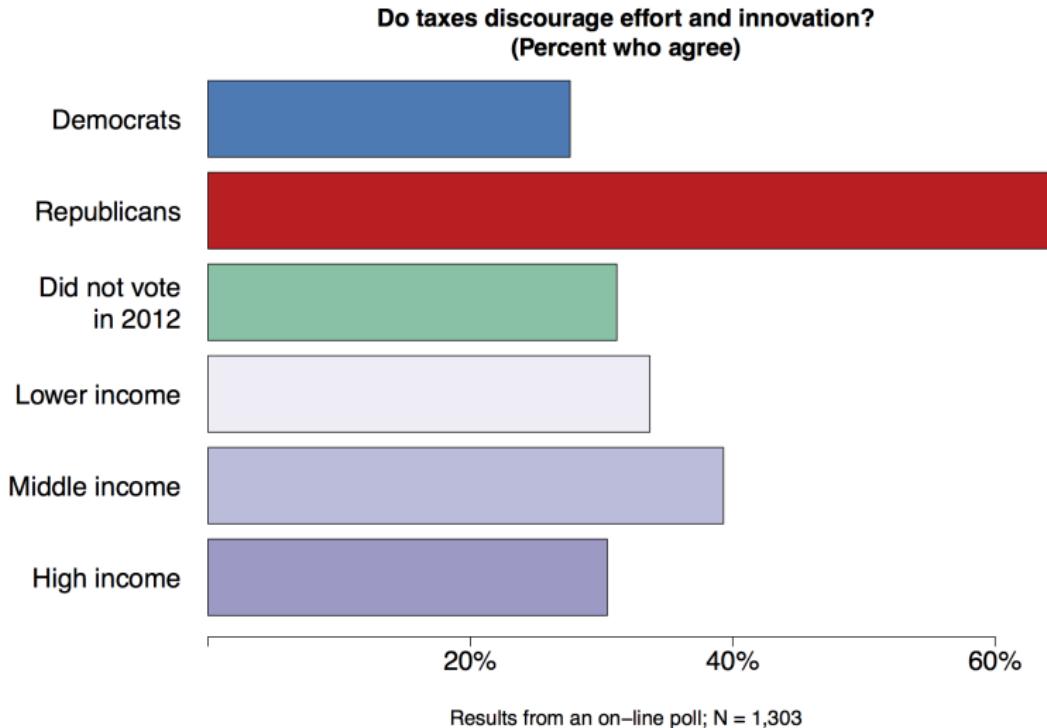
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Beliefs about fairness and mobility

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 - ▶ Odds of agreement fall by up to 39%
- “To succeed in life, it is important to have personal connections”
 - ▶ Odds of agreement rise by up to 59%
- Information exposure: less optimistic perspective/beliefs
- Harmful information?

Survey evidence: are taxes harmful?



Caveats

- The information I provide may not be credible.
- A good citizen is skeptical.
- Beliefs may be inelastic in the long-term?

Recap

- The income distribution surprises many subjects
- Updating of views is nonetheless limited to a general sentiment
- Yes, the “government should do something”
- No, I do not want to pay more taxes
- Open questions
 - ▶ Spending on a major equalizer (education) has not increased
 - ▶ Is information harmful?

Thank you

Let's talk during coffee break.

Or later: zilinsky@chicagobooth.edu

More reactions

- “It’s none of my business nor do I care how much income other people make.”
- “I don’t understand what a single household in the top 20% would do with that income, or why they would need it. But I suppose if they’ve fairly earned it, then they should be allowed to have such an income without judgement.”

Still more

- “I don’t really have any negative reaction, as this graph does not show how quality of life has changed for each group.”
- “Hard working and educated people have greater income.”
- “It may seem unfair, but It is definitely a logical distribution.”
- “people earn what they deserve to earn.”
- “I think the gravity of this stratification is a little overblown.”
- “It’s not surprising that most people actually don’t make a great deal of money. It not anybody’s fault, though, really.”
- “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.”

More reactions

- “This is not surprising, and it’s good that there is a small proportion of very rich people who can commit capital to growing the economy.”
- “Some people are very very well off, and the poor are truly poor.”
- “wow, that’s amazing... that sure gets you thinking”
- “I think this is pretty sickening”