I am an economist studying the *taxation of firms and individuals*. I focus on three main issues:

1) The long-run effects of taxes on *innovation, education & training, and wealth*. How can we design the tax system to foster innovation?

2) The determinants of our *social preferences, attitudes, and perceptions*, which ultimately drive support for redistribution. To answer this, I conduct large-scale online surveys and experiments.

3) The effects of personal and capital income taxes in imperfect markets with informational frictions and rents.
Social Preferences Underpinned by Misunderstandings

Stefanie Stantcheva (Harvard University, Economics)
Outline

1. Why use Surveys designed by Economists?
2. Belief in the American Dream shapes views of Redistribution
Why Use Surveys?

Some things are invisible in other datasets.

   No matter how high quality that data is.

   Surveys were used before for things we can now see in admin data.

Perceptions, attitudes, reasoning underlie econ behavior & outcomes

High-quality surveys are key. Large sample, representative or over-sample.

   There are “surveys” .. and then there are “surveys.” Design interactive, animated, intuitive questions and treatments.

   Experimental components. Can control info and frame provided.
Belief in the "American Dream" Shapes Views of Redistribution
Eliciting respondent’s beliefs on upward mobility

Here are 500 families that represent the US population:

Parents’ income group

- The richest 100 families
- The 2nd richest 100 families
- The middle 100 families
- The 2nd poorest 100 families
- The poorest 100 families

Children’s income group, once they grow up

- The richest 100 families
- The 2nd richest 100 families
- The middle 100 families
- The 2nd poorest 100 families
- The poorest 100 families

TOTAL 0
Probability of Staying in Bottom Quintile
(Actual vs. Perceived)

- **US**
- **UK**
- **FR**
- **IT**
- **SE**

<table>
<thead>
<tr>
<th>Optimistic</th>
<th>Pessimistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>24</td>
<td>26</td>
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<tr>
<td>28</td>
<td>30</td>
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<td>32</td>
<td>34</td>
</tr>
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<td>36</td>
<td>38</td>
</tr>
</tbody>
</table>

Average Perceived Probability:
- **US**: 24
- **UK**: 26
- **FR**: 28
- **IT**: 30
- **SE**: 32
- **US**: 34
- **SE**: 36
- **UK**: 38

Real Probability:
- **US**: 19
- **UK**: 1

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The graph illustrates the comparison between perceived and real probabilities for staying in the bottom quintile across different countries. The dashed line represents the theoretical perfect alignment between perceived and real probabilities, with countries plotted according to their perceived probability on the y-axis and real probability on the x-axis.
Probability of Moving to Top Quintile (Actual vs. Perceived)

The graph illustrates the comparison between actual and perceived probabilities of moving to the top quintile for different countries, categorized as pessimistic and optimistic. The x-axis represents the real probability, while the y-axis shows the average perceived probability. Each country is represented by a different color:

- **US** (red circle)
- **UK** (blue circle)
- **FR** (green circle)
- **IT** (orange circle)
- **SE** (purple circle)

The countries are plotted on the graph with their actual and perceived probabilities, demonstrating the discrepancy between the two.
Actual probability of moving from bottom to top quintile

- Greater than 14.74
- 12.63 - 14.74
- 10.52 - 12.63
- 9.14 - 10.52
- 8.06 - 9.14
- 6.44 - 8.06
- Less than 6.44

Average Actual Probability

[Map showing probability distribution across U.S. states]
Actual and perceived probability of moving from bottom to top quintile

<table>
<thead>
<tr>
<th>Average Actual Probability</th>
<th>Average Perceived Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 14.74</td>
<td>29</td>
</tr>
<tr>
<td>12.63 - 14.74</td>
<td>1</td>
</tr>
<tr>
<td>10.52 - 12.63</td>
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</tr>
<tr>
<td>9.14 - 10.52</td>
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</tr>
<tr>
<td>8.06 - 9.14</td>
<td>No data</td>
</tr>
<tr>
<td>6.44 - 8.06</td>
<td>No data</td>
</tr>
<tr>
<td>&lt; 6.44</td>
<td>No data</td>
</tr>
<tr>
<td>No data</td>
<td>No data</td>
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</tbody>
</table>

The maps on the left and right show the distribution of actual and perceived probabilities across the United States, respectively. The colors indicate different probability ranges.
Ratio of actual local and perceived probability of moving from bottom to top

What are local perceptions correlated with, controlling for individual-level characteristics?
Who Benefits from Redistribution? Wrong Views about Immigrants
Perceived Share of Immigrants

Figure 6: Perceived vs. Actual Share of Immigrants

Notes:
The left panel shows the average perceived share of immigrants (red squares) and the actual share (blue diamonds) in each country. The right panel shows the average misperception (perceived minus actual share) of the share of immigrants by groups. Groups are defined by the indicator variables listed to the left: the mean misperception when the indicator is equal to 1 is represented by the orange or red diamonds. The shaded areas are 95% confidence intervals around the mean.
Perceived Share of Muslim Immigrants

Figure 7: Perceived vs. Actual Religion of Immigrants

(a) Perceived vs. Actual Share of Muslim Immigrants
(b) Perceived vs. Actual Share of Christian Immigrants

Notes:
Panel A shows the perceived and actual share of Muslim immigrants; panel B shows the perceived and actual share of Christian immigrants. See the notes for Figure 6.
Perceived Share of Poor that are Immigrants

% of Poor who are Immigrants

- **Actual**
- **Perceived (mean)**
Does Mohammad Get More Transfers & Pay Less Taxes than John?
People Who Perceive A Higher Share of Immigrants Among the Poor Also Support Less Redistribution

Redistribution Index

Perceived Share of the Poor who are Immigrants

-0.0011***

(0.0004)

-0.05

0

0.05

Redistribution Index

0

-0.05

-20

0

20

40

60

Perceived Share of the Poor who are Immigrants

-0.0011***

(0.0004)
Misunderstanding of Tax Policy
People Overestimate the Top Federal Tax Rate and Underestimate the Top State Tax Rates

Misperception about top tax rates today

Misperception about top federal tax rate (red) and top state tax rate (blue)

-15 -10 -5 0 5 10 15

Misperception about top federal tax rate (red) and top state tax rate (blue)
No One Knows How High Top Tax Rates Were in the 1950s

Misperception about 1950s top tax rate

- All sample
- Women
- Men
- Age 18-29
- Age 50-69
- White
- Black
- Have children
- Have no children
- Low income
- High income
- Perceived lower-class
- Perceived upper-class
- Republican
- Democrat
- Econ-related major
- No econ-related major
- Policy knowledge
- No policy knowledge

-80 -70 -60 -50 -40
Everyone Thinks Top Tax Bracket Kicks In at Much Lower Income Levels

Misperception about threshold for top tax bracket

- All sample
- Women
- Men
- Age 18-29
- Age 50-69
- White
- Black
- Have children
- Have no children
- Low income
- High income
- Perceived lower-class
- Perceived upper-class
- Republican
- Democrat
- Econ-related major
- No econ-related major
- Policy knowledge
- No policy knowledge

Income Levels:
- $-550,000$
- $-500,000$
- $-450,000$
- $-400,000$
- $-350,000$
- $-300,000$
Overestimate Share of Entrepreneurs, Scientists, Entertainers in Top 1%.
Underestimate Managers and Executives.

Misperception about % of professions in top 1% high-earners
Average perceived share with confidence intervals vs actual share

- Executives, managers
- Physicians
- Financial professions
- Lawyers
- Engineering professionals
- Real estate professionals
- Entrepreneurs
- Professors and scientists
- Arts, Media ans Sports
- Government and teachers

Perception (mean) vs Reality
The Estate Tax

No one knows who actually pays the estate tax.

People think 100% of income has already been taxed – double taxation.

Fundamental tension: people believe fair that parents can pass on their wealth; but also unfair that children start with different wealth levels in life.

Just informing people about who pays estate tax leads to much more support for it.