

The Polarization of Reality

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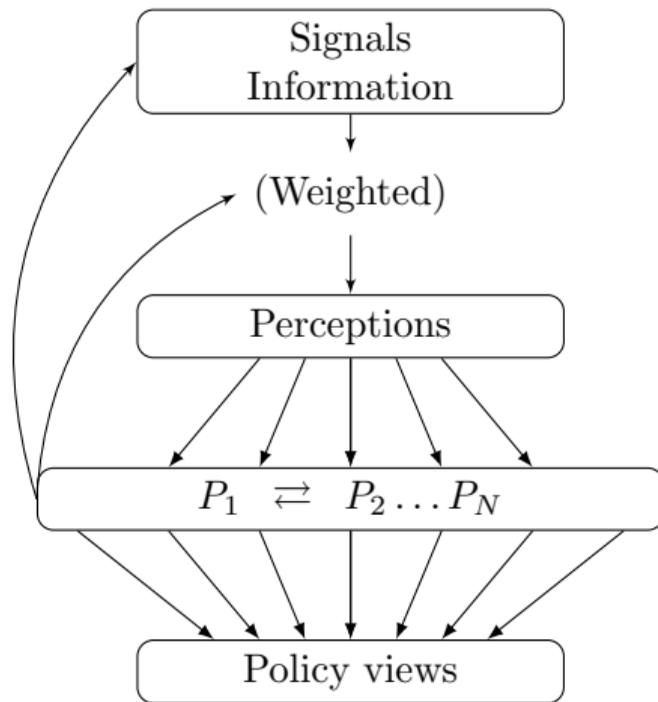
Introduction

- Evidence is growing that Americans are polarized not only in their policy views and attitudes towards government and society, but also about their *perceptions* of the same, factual reality
- In this paper:
 - ▶ We provide a **conceptual framework** to think about the polarization of reality
 - ▶ We review recent papers showing that Republicans and Democrats view the same reality through a different lens. We highlight evidence about **differences in perceptions on social mobility, inequality, immigration, and public policies**
 - ▶ We show that **providing information leads to different reassessments of reality** and different responses along the policy support margin, depending on one's political leanings

Earlier Literature

- **Bartels (2002)**: party identification shapes perception of economic indicators that can be seen as the government's "performance indicators" (e.g. unemployment or inflation)
 - ▶ **Conover, Feldman and Knight (1986, 1987)**: similar results on the importance of partisanship in the perception of economic indicators
- **Jerit and Barabas (2012)**: people perceive the same reality in a way consistent with their political views and learning is selective. Partisans have higher knowledge for facts that corroborate their world views and lower for facts that challenge them
 - ▶ **Gaines et al. (2007)**: Heterogeneous updating to identical information for attitudes towards the Iraq war
- **Prior, Sood and Khanna (2015), Bullock et al. (2015)**: people give "partisan" answers to factual questions in surveys, but the partisan gap is reduced if monetary incentives are offered for correct answers

Conceptual Framework: Summing Up



Conceptual Framework

- People hold many “perceptions,” estimates of true parameters on a variety of topics (e.g. share of immigrants)
 - ▶ These have true empirical counterparts
- “Policy views” are formed as functions of these perceptions
- Perceptions interact with each other: each policy view can be a function of several or all perceptions
- People receive “signals” – pieces of information – which are weighted in order to be translated into changes in perceptions
 - ▶ People receive different signals
 - ▶ Same signals have heterogeneous impacts on people’s perceptions
 - ▶ People may end up with very heterogeneous perceptions

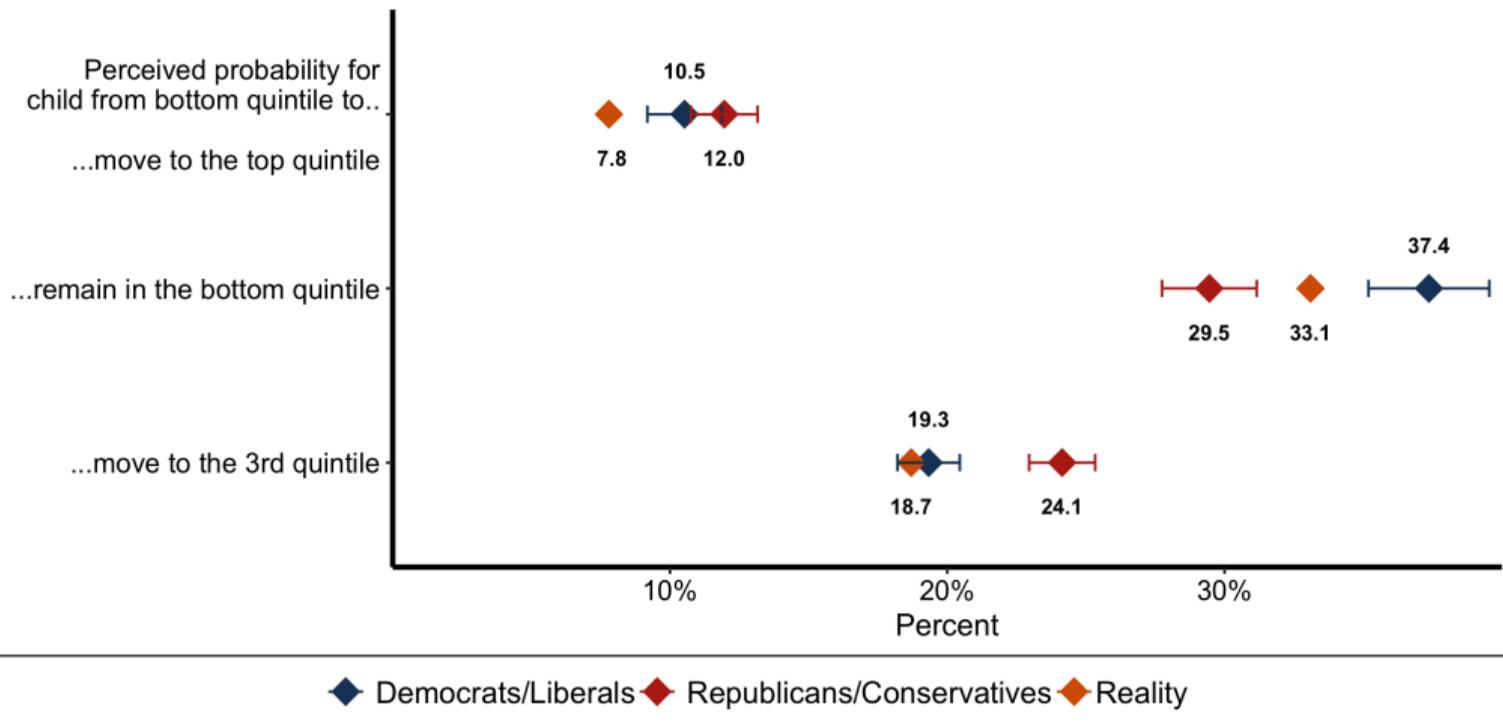
Conceptual Framework: Updating Process

- Interaction between existing perceptions and updating
 - ▶ Weight on the signal depends on perceived reliability → endogenous to perceptions
 - ▶ Interaction between perceptions: weight and updating for identical signals depends on all prior perceptions
 - ▶ A signal can move more than one perception at the same time
- If information is costly, set of signals acquired is also endogenous to perceptions
 - ▶ People have to decide which information to incur costs for, depending on their baseline perceptions
- Actual true values change over time or difficult to estimate
- No need for behavioral features: as long as people have heterogeneous perceptions, they will have different policy views and any signal will be (rationally) acquired and weighted based on the full set of perceptions

The American Dream

- **Alesina, Stantcheva and Teso (2018):** surveys in the U.S., Italy, France, U.K. and Sweden, February-October 2016
- Americans are more optimistic about social mobility than Europeans and overly optimistic given reality
- Perceptions of social mobility are correlated with political orientation
 - ▶ Both Conservatives (right-wing) and Liberals (left-wing) overestimate the probability that a child born in the bottom quintile of the income distribution makes it to the top
 - ▶ Liberals overestimate the probability to remain in the bottom quintile, Conservatives underestimate it
 - ▶ Conservatives overestimate the probability to make it to the middle class

The American Dream

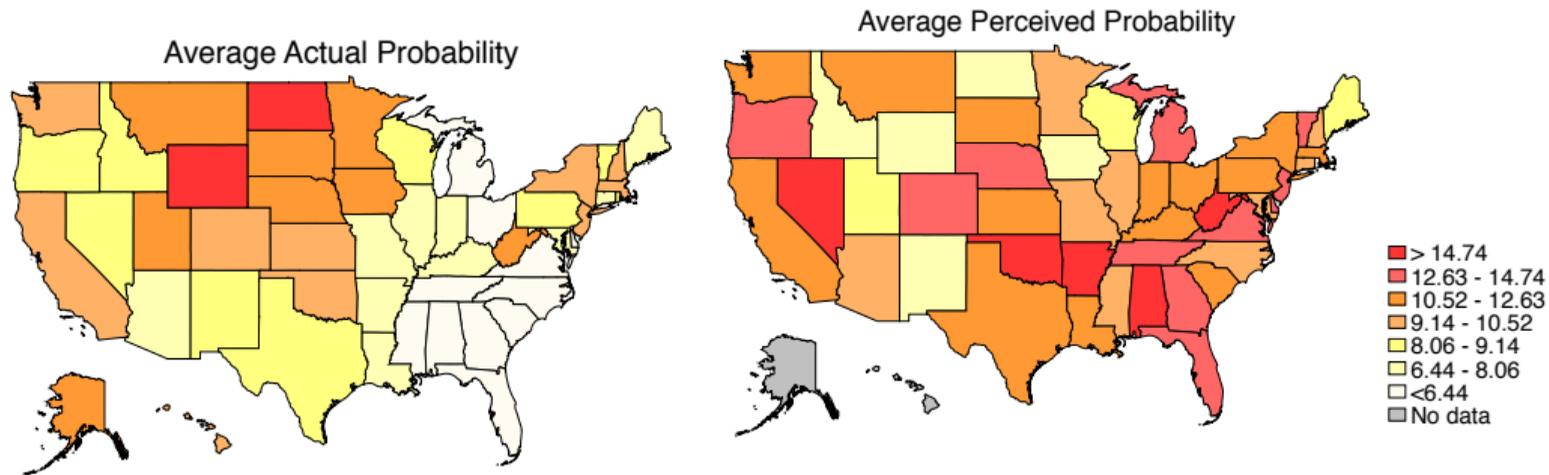


Source: Alesina, Stantcheva and Teso (2018)

The American Dream

- In a qualitative version of this question, 51.3% of Liberals vs 31.3% of Conservatives believe that chances are very low for children born in the bottom quintile to make it to the top
- 72% percent of Conservatives vs 38.6% of Liberals agree with the statement that “In the U.S. everybody has a chance to make it and be economically successful”
- Perceptions of social mobility are especially (over)optimistic in areas where actual social mobility is the lowest – i.e. the South and Southeast of the U.S., regions where the Republican vote is particularly high

The American Dream



Source: Alesina, Stantcheva and Teso (2018)

Correlation between perceived probability to make it from the bottom to the top quintile and actual state-level probability is -0.29

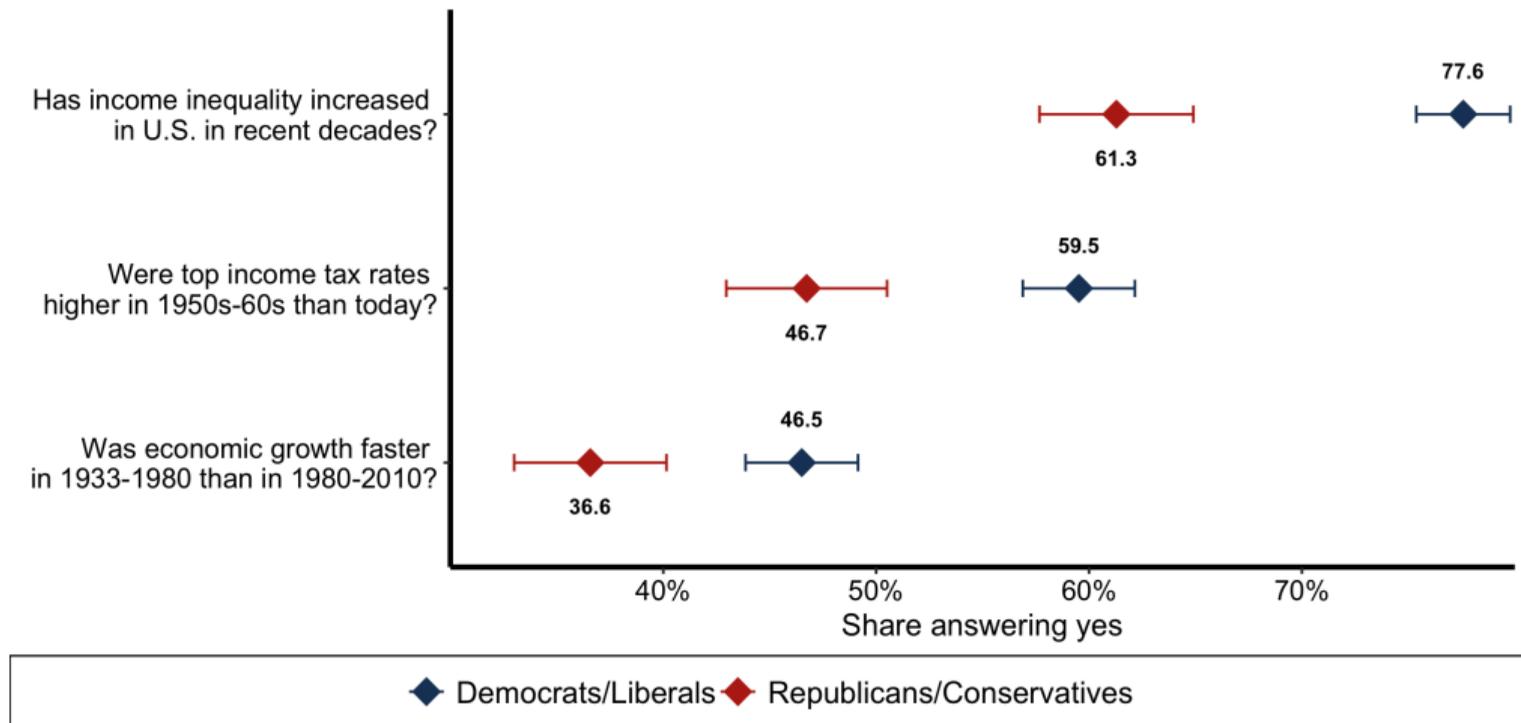
The American Dream: Perceptions and Policy Views

- Pessimism about social mobility associated with more favorable views towards redistribution (e.g more progressive tax system, more spending on equal opportunity policies)
 - **Experimental treatment** to establish causality between perceptions and policy views
 - ▶ Randomly-selected group of respondents sees pessimistic information about mobility
 - Both Liberals and Conservatives become more pessimistic about mobility
 - Only Liberals become (even) more supportive of redistribution.
 - ▶ Conservatives do not – they see the government as the “problem” and not the “solution”
- Even faced with same information about reality, people translate it into different policy preferences based on existing perceptions

Inequality and Tax Policy

- Perceptions of reality also differ along the political spectrum when it comes to inequality and tax policy
- **Kuziemko et al. (2015):**
 - ▶ 61% of Conservatives vs 78% of Liberals (correctly) believe that income inequality in the U.S. has increased in recent decades
 - ▶ 47% of Conservatives and 60% of Liberals understand that top income tax rates were higher in the 1950s-60s than today
 - ▶ Showing respondents information about level and change in inequality in the U.S. makes them trust government less
 - ★ Government may be seen as responsible for the rise in inequality or ineffective at mitigating it
- Perceptions are **jointly determined** and what appears to be a signal about one type of perception only (inequality), can end up shifting other perceptions too (the competence of the government)

Inequality and Tax Policy



Source: Kuziemko et al. (2015)

Inequality and Tax Policy

- **Stantcheva (2019):**

- ▶ Republicans believe that top 1% of earners receive 40% of national income and top 1% wealth holders hold 53%; for Democrats these numbers are 48% and 64%
- ▶ Democrats believe that 23% of households pay no income tax; Republicans believe it is 28%
- ▶ Republicans perceive the average top income tax rate to be 31%, Democrats believe it is 25%
- ▶ Conditional on actual income, being Republican increases one's perceived social class

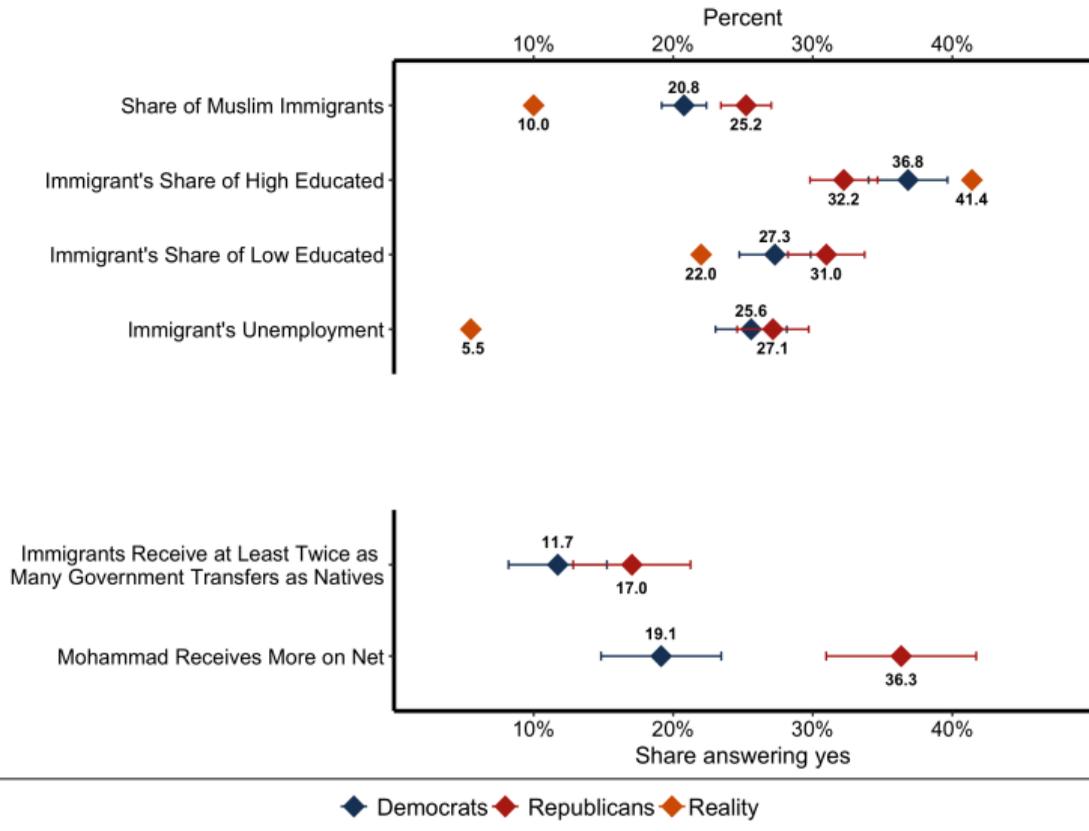
Immigration

- **Alesina, Miano and Stantcheva (2018):** surveys in U.S., Italy, France, Germany, U.K. and Sweden, November-February 2018 to investigate how natives perceive immigrants in their country and how this affects preferences for immigration policies and redistributive policies
- All respondents overestimate the share of immigrants in the U.S.
 - ▶ Average perceived share of immigrants is 36%; actual share of legal immigrants is 10%, 13.5% including illegal immigrants and about 26% including second-generation immigrants
- However, perceptions differ when it comes to the socio-economic and cultural composition of immigrants

Immigration

- Republicans overestimate the share of immigrants that are Muslim to a greater extent than Democrats
- Republicans perceive immigrants as less educated, more unemployed and more reliant on the welfare state than Democrats do
- Differences in perceptions between Trump and Non-Trump voters are even wider
- The effect of political affiliation on perceptions is robust to controlling for individual characteristics and local factors at the Commuting Zone level

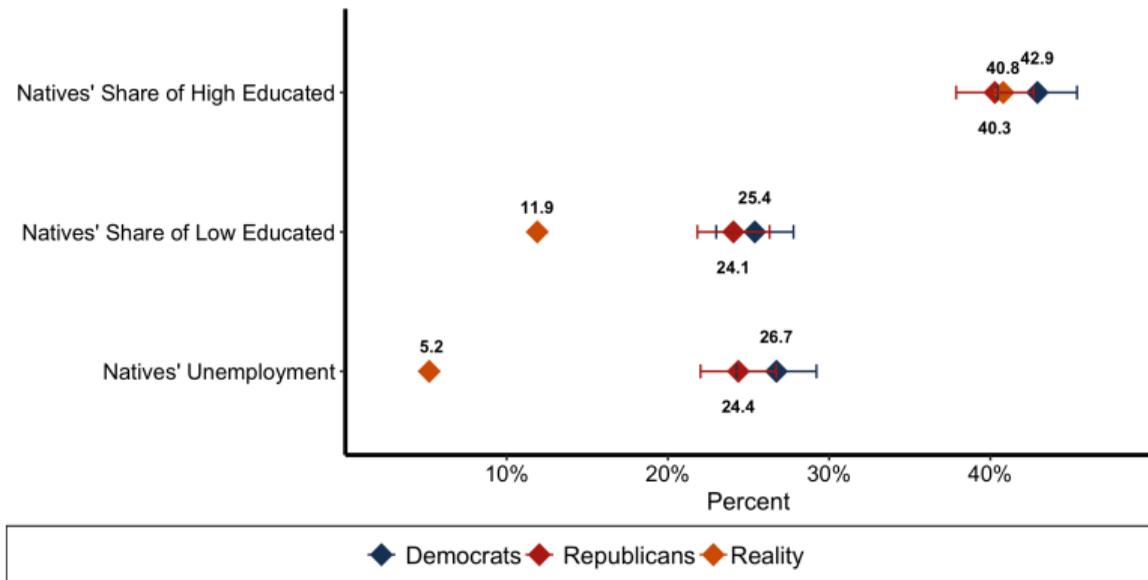
Immigration



Source: Alesina, Miano and Stantcheva (2018)

Immigration

- No heterogeneity in perceptions of natives' characteristics → Perceptions diverge mostly on partisan issues



Source: Alesina, Miano and Stantcheva (2018)

Immigration

- Why do these misperceptions persist?
- Political narratives
 - ▶ Providing factual information on the actual shares and origins of immigrants only weakly moves perceptions
 - ▶ Priming respondents in an experimental way to think about immigrants reduces their support for redistribution
- Demand for accurate information is correlated with political views and baseline misperceptions

Willingness to Pay to Receive Correct Info about Immigrants

	Willing To Pay (1)
Misperception Index	-0.107*** (0.0318)
Republican	-0.0792** (0.0338)
Female	-0.0707** (0.0328)
H. Imm. Sector and No College	0.0822 (0.0509)
H. Imm. Sector and College	0.0690 (0.0426)
No College	-0.112** (0.0454)
High Income	-0.0317 (0.0410)
Young	-0.0770** (0.0328)
Immigrant parent	0.125** (0.0551)
Observations	918

Source: Alesina, Miano and Stantcheva (2018)

Respondents who misperceive immigrants more negatively are less willing to pay.

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Respondents who misperceive immigrants more negatively are less willing to pay. Even conditional on misperceptions, Republicans are 14% less willing to pay.

Conclusions

- In this paper we have reviewed evidence about differences in perceptions of reality across the political spectrum and discussed a conceptual framework showing how perceptions form, interact, update and shape policy views
- The direction of causality is unclear:
 - ▶ Individuals could select into political affiliation based on their perceptions of reality
 - ▶ Political affiliation affects the information one receives, the groups one interacts with, and the media one is exposed to, shaping perceptions of reality
- Regardless of the direction of causality, what is striking is to have different perceptions of realities that can be factually checked