

Lecture on Social Preferences

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GOALS OF THIS LECTURE

- (1) Theory of social preferences: a new, tractable way to capture fairness and justice principles. Applicable to way more than taxation (e.g.: IO problems, trade problems, macro problems).
- (2) Empirical evidence on social preferences.
- (3) Methodological tool: Online experiments.

Theory

This paper: “Generalized Social Welfare Weights for Optimal Tax Theory”
Saez and Stantcheva (2016).

Standard Welfarist Approach: Critiques and Puzzles

- Maximize concave function or weighted sum of individual utilities.

$$\max_{T(\cdot)} SWF = \max_{T(\cdot)} \int_i \omega_i \cdot u_i$$

- Special case: utilitarianism, $\omega_i = 1$.
- Cannot capture elements important in tax practice:
 - ▶ Source of income: earned versus luck.
 - ▶ Counterfactuals: what individuals *would* have done absent tax system.
 - ▶ Horizontal Equity concerns that go against “tagging.”
- Utilitarianism critique: 100% redistribution optimal with concave $u(\cdot)$ and no behavioral responses
- Methodological and conceptual critique: Policy makers use reform-approach rather than posit and maximize objective.

A Novel Approach to Model Social Preferences

- **Tax reform approach:** weighs gains and losses from tax changes.

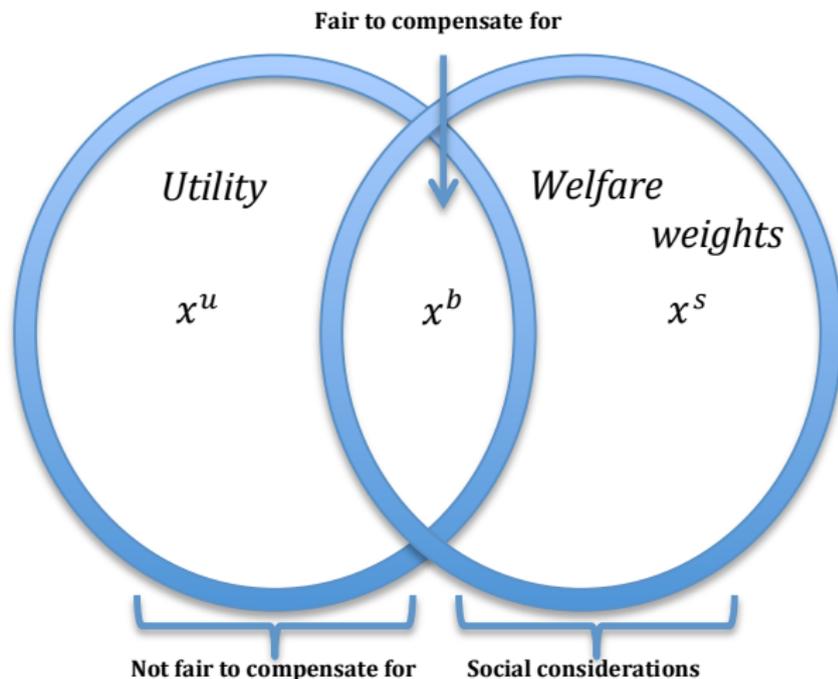
$$\text{Change in welfare: } - \int_i g_i \cdot \delta T(z_i) \text{ with } g_i \equiv g(c_i, z_i; x_i^s, x_i^b).$$

- Replace restrictive social welfare weight by **generalized social marginal welfare weights**.
 - ▶ g_i measures social value of \$1 transfer for person i .
 - ▶ Specified to directly capture fairness criteria.
 - ▶ Not necessarily derived from SWF

Generalized social welfare weights approach

$$u_i = u(c_i - v(z_i; x_i^u, x_i^b))$$

$$g_i = g(c_i, z_i; x_i^s, x_i^b)$$



General Model

- Mass 1 of individuals indexed by i .
- Utility from consumption c_i and income z_i (no income effects):

$$u_i = u(c_i - v(z_i; x_i^u, x_i^b))$$

where x_i^u and x_i^b are vectors of characteristics

- $u(\cdot)$ increasing, v decreasing in z_i .
- Typical income tax: $T(z)$, hence $c_i = z_i - T(z_i)$.
 - ▶ More general tax systems, with conditioning variables possible, depending on what is observable and politically feasible.

Generalized social welfare weights approach

Definition

The generalized social marginal welfare weight on individual i is:

$$g_i = g(c_i, z_i; x_i^s, x_i^b)$$

g is a function, x_i^s is a vector of characteristics which only affect the social welfare weight, while x_i^b is a vector of characteristics which also affect utility.

- Recall utility is: $u_i = u(c_i - v(z_i; x_i^u, x_i^b))$
- Characteristics x^s , x^u , x^b may be unobservable to the government.
 - ▶ x^b : fair to redistribute, enters utility – e.g. ability to earn
 - ▶ x^s : fair to redistribute, not in utility – e.g. family background
 - ▶ x^u : unfair to redistribute, enters utility – e.g. taste for work

Aggregating Standard Weights at Each Income Level

Taxes depend on z only: express everything in terms of observable z .

$H(z)$: CDF of earnings, $h(z)$: PDF of earnings [both depend on $T(\cdot)$]

Definition

$\bar{G}(z)$ is the (relative) average social marginal welfare weight for individuals earning at least z :

$$\bar{G}(z) \equiv \frac{\int_{\{i: z_i \geq z\}} g_i}{\text{Prob}(z_i \geq z) \cdot \int_i g_i}$$

$\bar{g}(z)$ is the average social marginal welfare weight at z defined so that

$$\int_z^\infty \bar{g}(z') dH(z') = \bar{G}(z)[1 - H(z)]$$

Nonlinear Tax Formula Expressed with Welfare Weights

Proposition

The optimal marginal tax at z :

$$T'(z) = \frac{1 - \bar{G}(z)}{1 - \bar{G}(z) + \alpha(z) \cdot e(z)}$$

$e(z)$: average elasticity of z_i w.r.t $1 - T'$ at $z_i = z$

$\alpha(z)$: local Pareto parameter $zh(z)/[1 - H(z)]$.

Proof follows the same “small reform” approach of Saez (2001): increase T' in a small band $[z, z + dz]$ and work out effect on budget and weighted welfare

Proof

- Reform $\delta T(z)$ increases marginal tax by $\delta\tau$ in small band $[z, z + dz]$.
- Mechanical revenue effect: extra taxes $dz\delta\tau$ from each taxpayer above z : $dz\delta\tau[1 - H(z)]$ is collected.
- Behavioral response: those in $[z, dz]$, reduce income by $\delta z = -e z \delta\tau / (1 - T'(z))$ where e is the elasticity of earnings z w.r.t $1 - T'$. Total tax loss $-dz\delta\tau \cdot h(z)e(z)zT'(z)/(1 - T'(z))$ with $e(z)$ the average elasticity in the small band.
- Net revenue collected by the reform and rebated lump sum is:
$$dR = dz\delta\tau \cdot \left[1 - H(z) - h(z) \cdot e(z) \cdot z \cdot \frac{T'(z)}{1 - T'(z)} \right].$$
- Welfare effect of reform: $-\int_i g_i \delta T(z_i)$ with $\delta T(z_i) = -dR$ for $z_i \leq z$ and $\delta T(z_i) = \delta\tau dz - dR$ for $z_i > z$. Net effect on welfare is $dR \cdot \int_i g_i - \delta\tau dz \int_{\{i: z_i \geq z\}} g_i$.
- Setting net welfare effect to zero, using $(1 - H(z))\bar{G}(z) = \int_{\{i: z_i \geq z\}} g_i / \int_i g_i$ and $\alpha(z) = zh(z)/(1 - H(z))$, we obtain the tax formula.

Linear Tax Formula Expressed with Welfare Weights

The optimal linear tax rate, such that $c_i = z_i \cdot (1 - \tau) + \tau \cdot \int_j z_j$ can also be expressed as a function of an income weighted average marginal welfare weight (Piketty and Saez, 2013).

Proposition

The optimal linear income tax is:

$$\tau = \frac{1 - \bar{g}}{1 - \bar{g} + e} \quad \text{with} \quad \bar{g} \equiv \frac{\int_j g_j \cdot z_j}{\int_j g_j \cdot \int_j z_j}$$

e : elasticity of $\int_j z_j$ w.r.t $(1 - \tau)$.

Applying Standard Formulas with Generalized Weights

- Individual weights need to be “aggregated” up to characteristics that tax system can conditioned on.
 - ▶ E.g.: If $T(z, x^b)$ possible, aggregate weights at each $(z, x^b) \rightarrow \bar{g}(z, x^b)$.
 - ▶ If standard $T(z)$, aggregate at each z : $\bar{G}(z)$ and $\bar{g}(z)$.
- Then apply standard formulas. Nests standard approach.
- If $g_i \geq 0$ for all i , (local) Pareto efficiency guaranteed.
- Can we back out weights? Optimum $\Leftrightarrow \max SWF = \int_i \omega_i \cdot u_i$ with Pareto weights $\omega_i = g_i / u_{ci} \geq 0$ where g_i and u_{ci} are evaluated at the optimum allocation
 - ▶ Impossible to posit correct weights ω_i without *first* solving for optimum

1. Optimal Tax Theory with Fixed Incomes

Modelling fixed incomes in our general model.

- Focus on redistributive issues.
- $z = z_i$ is fixed for each individual (fully inelastic labor supply).
- Concave uniform utility $u_i = u(c_i)$

Standard utilitarian approach.

- Optimum: $c = z - T(z)$ is constant across z , full redistribution.
- Is it acceptable to confiscate incomes fully?
- Very sensitive to utility specification
- Heterogeneity in consumption utility? $u_i = u(x_i^c \cdot c_i)$

1. Tax Theory with Fixed Incomes: Generalized Weights

Definition

Let $g_i = g(c_i, z_i) = \tilde{g}(c_i, z_i - c_i)$ with $\tilde{g}_c \leq 0$, $\tilde{g}_{z-c} \geq 0$.

- i) Utilitarian weights: $g_i = g(c_i, z_i) = \tilde{g}(c_i)$ for all z_i , with $\tilde{g}(\cdot)$ decreasing.
- ii) Libertarian weights: $g_i = g(c_i, z_i) = \tilde{g}(z_i - c_i)$ with $\tilde{g}(\cdot)$ increasing.

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- Weights depend negatively on c – “ability to pay” notion.
 - Depend positively on tax paid – taxpayers contribute socially more.
 - Optimal tax system: weights need to be equalized across all incomes z :

$$\tilde{g}(z - T(z), T(z)) \text{ constant with } z$$

1. Tax Theory with Fixed Incomes: Optimum

Proposition

The optimal tax schedule with no behavioral responses is:

$$T'(z) = \frac{1}{1 - \tilde{g}_{z-c}/\tilde{g}_c} \quad \text{and} \quad 0 \leq T'(z) \leq 1. \quad (1)$$

Corollary

Standard utilitarian case, $T'(z) \equiv 1$. Libertarian case, $T'(z) \equiv 0$.

- Empirical survey shows respondents indeed put weight on both disposable income and taxes paid.
- Between the two polar cases,
 $g(c, z) = \tilde{g}(c - \alpha(z - c)) = \tilde{g}(z - (1 + \alpha)T(z))$ with \tilde{g} decreasing.
- Can be empirically calibrated and implied optimal tax derived.

3. Transfers and Free Loaders: Setting

- Behavioral responses closely tied to social weights: biggest complaint against redistribution is “free loaders.”
- Generalized welfare weights can capture “counterfactuals.”
- Consider linear tax model where τ funds demogrant transfer.
- $u_i = u(c_i - v(z_i; \theta_i)) = u(c_{z_i} - \theta_i \cdot z_i)$ with $z_i \in \{0, 1\}$.
- Individuals can choose to not work, $z = 0$, $c_i = c_0$.
- If they work, earn $z = \$1$, consume $c_1 = (1 - \tau) + c_0$.
- Cost of work θ , with cdf $P(\theta)$, is private information.
- Individual: work iff $\theta \leq c_1 - c_0 = (1 - \tau)$.
- Fraction working: $P(1 - \tau)$.
- e : elasticity of aggregate earnings $P(1 - \tau)$ w.r.t $(1 - \tau)$.

3. Transfers and Free Loaders: Optimal Taxation

Apply linear tax formula:

- $\tau = (1 - \bar{g}) / (1 - \bar{g} + e)$
- In this model, $\bar{g} = \int_i g_i z_i / (\int_i g_i \cdot \int_i z_i) = \bar{g}_1 / [P \cdot \bar{g}_1 + (1 - P) \cdot \bar{g}_0]$ with: \bar{g}_1 the average g_i on workers, and \bar{g}_0 the average g_i on non-workers.

Standard Approach:

- $g_i = u'(c_0)$ for all non-workers so that $\bar{g}_0 = u'(c_0)$.
- Hence, approach does not allow to distinguish between the deserving poor and free loaders.
- We can only look at actual situation: work or not, not “why” one does not work.
- Contrasts with public debate and historical evolution of welfare

3. Transfers and Free Loaders: Generalized Welfare Weights

- Distinguish people according to what would have done absent transfer.
- **Workers:** Fraction $P(1 - \tau)$. Set $g_i = u'(c_1 - \theta_i)$.
- **Deserving poor:** would not work even absent any transfer: $\theta > 1$.
Fraction $1 - P(1)$. Set $g_i = u'(c_0)$.
- **Free Loaders:** do not work because of transfer: $1 \geq \theta > (1 - \tau)$.
Fraction $P(1) - P(1 - \tau)$. Set $g_i = 0$.
- Cost of work enters weights – fair to compensate for (i.e., not laziness).
- Average weight on non-workers
 $\bar{g}_0 = u'(c_0) \cdot (1 - P(1)) / (1 - P(1 - \tau)) < u'(c_0)$ lower than in utilitarian case.
- Reduces optimal tax rate not just through e but also through \bar{g}_0 .

3. Transfers and Free Loaders: Remarks and Applications

- Ex post, possible to find suitable Pareto weights $\omega(\theta)$ that rationalize same tax.
 - ▶ $\omega(\theta) = 1$ for $\theta \leq (1 - \tau^*)$ (workers)
 - ▶ $\omega(\theta) = 1$ for $\theta \geq 1$ (deserving poor)
 - ▶ $\omega(\theta) = 0$ for $(1 - \tau^*) < \theta < 1$ (free loaders).
- But: these weights depend on optimum tax rate τ^* .
- Other applications:
 - ▶ **Desirability of in-work benefits** if weight on non-workers becomes low enough relative to workers.
 - ▶ **Transfers over the business cycle**: composition of those out of work depends on ease of finding job.

1. Libertarianism and Rawlsianism

Libertarianism:

- Principle: “Individual fully entitled to his pre-tax income.”
- Morally defensible if no difference in productivity, but different preferences for work.
- $g_i = g(c_i, z_i) = \tilde{g}(c_i - z_i)$, increasing (x_i^s and x_i^b empty).
- Optimal formula yields: $T'(z_i) \equiv 0$.

Rawlsianism:

- Principle: “Care only about the most disadvantaged.”
- $g_i = g(u_i - \min_j u_j) = 1(u_i - \min_j u_j = 0)$, with $x_i^s = u_i - \min_j u_j$ and x^b is empty.
- If least advantaged people have zero earnings independently of taxes, $\bar{G}(z) = 0$ for all $z > 0$.
- Optimal formula yields: $T'(z) = 1/[1 + \alpha(z) \cdot e(z)]$ (maximize demogrant $-T(0)$).

2. Equality of Opportunity: Setting

- Standard utility $u(c - v(z/w_i))$ with w_i ability to earn
- w_i is result of i) family background $B_i \in \{0, 1\}$ (which individuals not responsible for) and ii) merit (which individuals are responsible for) = rank r_i conditional on background.
- Advantaged background gives earning ability w advantage:
 $w(r_i|B_i = 1) > w(r_i|B_i = 0)$
- Society is willing to redistribute across backgrounds, but not across incomes conditional on background.
- \Rightarrow Conditional on earnings, those coming from $B_i = 0$ are more meritorious [because they rank higher in merit]
- $\bar{c}(r) \equiv (\int_{(i:r_i=r)} c_i) / Prob(i : r_i = r)$: average consumption at rank r .
- $g_i = g(c_i; \bar{c}(r_i)) = 1(c_i \leq \bar{c}(r_i))$

2. Equality of Opportunity: Results

- Suppose government cannot condition taxes on background.
- $\bar{G}(z)$: **Representation index**: % from disadvantaged background earning $\geq z$ relative to % from disadvantaged background in population.
- Implied Social Welfare function as in Roemer et al. (2003).
- $\bar{G}(z)$ decreasing since harder for those from disadvantaged background to reach upper incomes.
- If at top incomes, representation is zero, revenue maximizing top tax rate.
- Justification for social welfare weights decreasing with income not due to decreasing marginal utility (utilitarianism).

2. Equality of Opportunity vs. Utilitarian Tax Rates

	Equality of Opportunity			Utilitarian (log-utility)	
	Fraction from low background (=parents below median) above each percentile	Implied social welfare weight G(z) above each percentile	Implied optimal marginal tax rate at each percentile	Utilitarian social welfare weight G(z) above each percentile	Utilitarian optimal marginal tax rate at each percentile
	(1)	(2)	(3)	(4)	(5)
Income percentile					
z= 25th percentile	44.3%	0.886	53%	0.793	67%
z= 50th percentile	37.3%	0.746	45%	0.574	58%
z= 75th percentile	30.3%	0.606	40%	0.385	51%
z= 90th percentile	23.6%	0.472	34%	0.255	42%
z= 99th percentile	17.0%	0.340	46%	0.077	54%
z= 99.9th percentile	16.5%	0.330	47%	0.016	56%

Chetty *et al.* (2013) intergenerational mobility data for the U.S.
 Above 99th percentile, stable representation, hence stable tax rates.
 Optimal tax rate lower than in utilitarian case.

Evidence against utilitarianism

- Respondents asked to compare families w/ different combinations of z , $z - T(z)$, $T(z)$.
- Who is most deserving of a \$1000 tax break?
- **Both disposable income and taxes paid matter** for deservedness
 - ▶ Family earning \$40K, paying \$10K in taxes judged more deserving than family earning \$50K, paying \$10K in taxes
 - ▶ Family earning \$50K, paying \$15K in taxes judged more deserving than family earning \$40K, paying \$5K in taxes
- **Frugal vs. Consumption-loving** person with same net income

Consumption-lover more deserving	Frugal more deserving	Taste for consumption irrelevant
4%	22%	74%

Which of the following two individuals do you think is most deserving of a \$1,000 tax break?

Individual A earns \$50,000 per year, pays \$10,000 in taxes and hence nets out \$40,000. She greatly enjoys spending money, going out to expensive restaurants, or traveling to fancy destinations. She always feels that she has too little money to spend.

Individual B earns the same amount, \$50,000 per year, also pays \$10,000 in taxes and hence also nets out \$40,000. However, she is a very frugal person who feels that her current income is sufficient to satisfy her needs.

-
- Individual A is most deserving of the \$1,000 tax break
 - Individual B is most deserving of the \$1,000 tax break
 - Both individuals are exactly equally deserving of the tax \$1,000 break

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Source: survey in Saez and Stantcheva (2013)

Does society care about effort to earn income?

- **Hard-working vs. Easy-going person with same net income**
- *“A earns \$30,000 per year, by working in two different jobs, 60 hours per week at \$10/hour. She pays \$6,000 in taxes and nets out \$24,000. She is very hard-working but she does not have high-paying jobs so that her wage is low.”*
- *“B also earns the same amount, \$30,000 per year, by working part-time for 20 hours per week at \$30/hour. She also pays \$6,000 in taxes and hence nets out \$24,000. She has a good wage rate per hour, but she prefers working less and earning less to enjoy other, non-work activities.”*

Hardworking more deserving	Easy-going more deserving	Hours of work irrelevant conditional on total earnings
43%	3%	54%

Do people care about “Free Loaders” and Behavioral Responses to Taxation?

Starting from same benefit level, which person most deserving of more benefits?

	Disabled unable to work	Unemployed looking for work	Unemployed not looking for work	On welfare not looking for work
Average rank (1-4)	1.4	1.6	3.0	3.5
% assigned 1st rank	57.5%	37.3%	2.7%	2.5%
% assigned last rank	2.3%	2.9%	25%	70.8%

Calibrating Social Welfare Weights

- Calibrate $\tilde{g}(c, T) = \tilde{g}(c - \alpha T)$
- 35 fictitious families, w/ different net incomes and taxes
- Respondents rank them pair-wise (5 random pairs each)

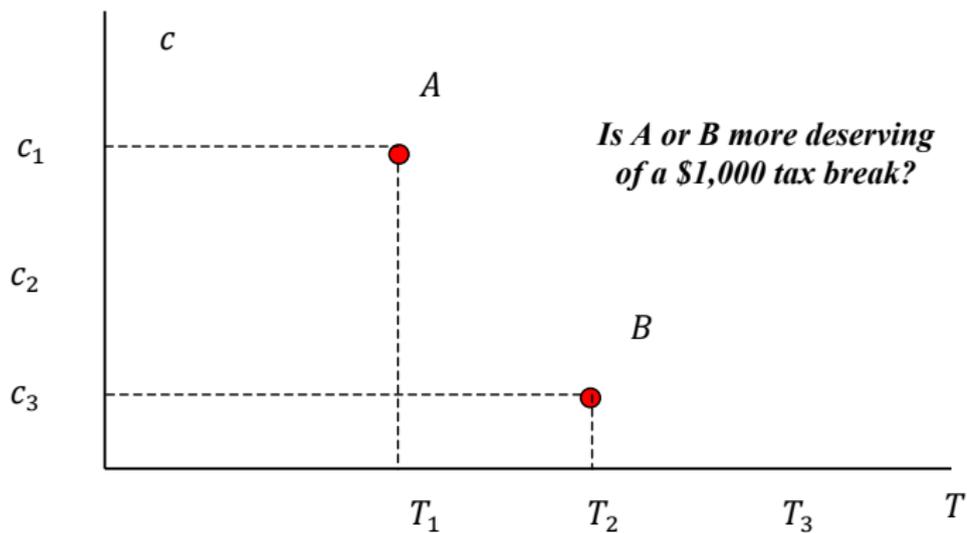
Which of these two families is most deserving of the \$1,000 tax break?

- Family earns \$100,000 per year, pays \$50,000 in taxes, and hence nets out \$50,000
- Family earns \$25,000 per year, pays \$1,250 in taxes, and hence nets out \$23,750

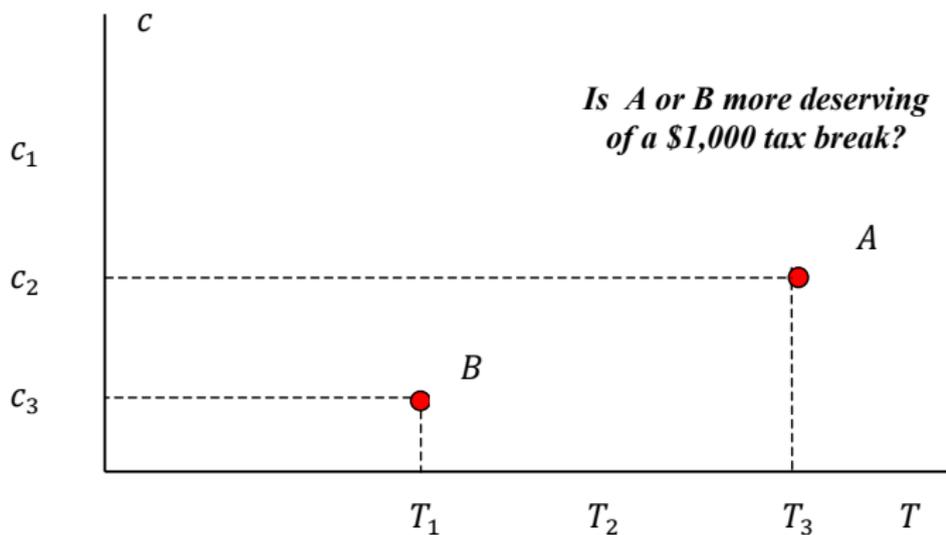
Which of these two families is most deserving of the \$1,000 tax break?

- Family earns \$50,000 per year, pays \$2,500 in taxes, and hence nets out \$47,500
- Family earns \$500,000 per year, pays \$170,000 in taxes, and hence nets out \$330,000

Eliciting Social Preferences



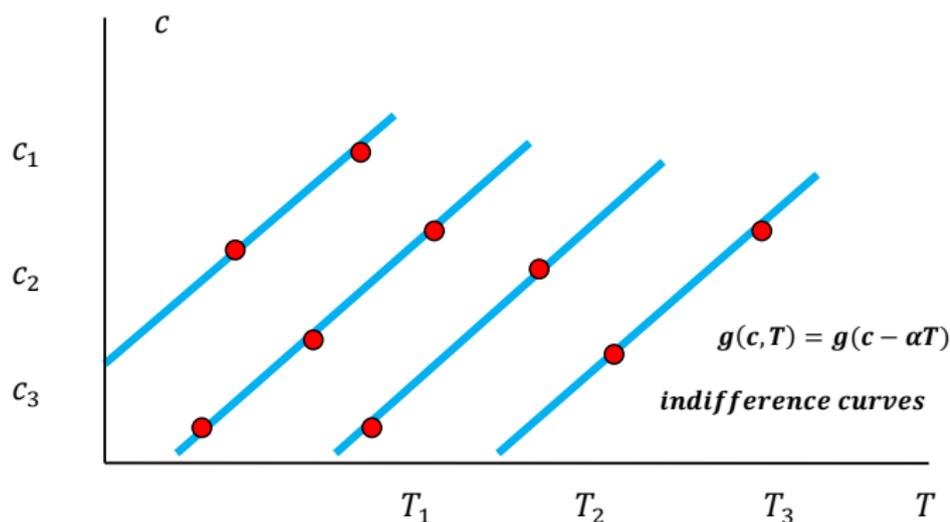
Eliciting Social Preferences



Eliciting Social Preferences

$S_{ijt} = 1$ if i ranked 1st in display t for respondent j , δT_{ijt} is difference in taxes, δc_{ijt} difference in net income for families in pair shown.

$$S_{ijt} = \beta_0 + \beta_T \delta T_{ijt} + \beta_c \delta c_{ijt} \quad \alpha = \left. \frac{\delta c}{\delta T} \right|_S = -\frac{\beta_T}{\beta_c} = -\text{slope}$$



Eliciting Social Preferences

Sample	Probability of being deemed more deserving in pairwise comparison						
	Full	Excludes cases				Liberal subjects only	Conservative subjects only
		with income of \$1m	with income of \$500K+	with income of \$500K+ and \$10K or less	with income of \$500K+ and \$10K or less		
(1)	(2)	(3)	(4)	(5)	(6)		
d(Tax)	0.0017*** (0.0003)	0.0052*** (0.0019)	0.016*** (0.0019)	0.015*** (0.0022)	0.00082*** (0.00046)	0.0032*** (0.00068)	
d(Net Income)	-0.0046*** (0.00012)	-0.0091*** (0.00028)	-0.024*** (0.00078)	-0.024*** (0.00094)	-0.0048*** (0.00018)	-0.0042*** (0.00027)	
Number of observations	11,450	8,368	5,816	3,702	5,250	2,540	
Implied α	0.37 (0.06)	0.58 (0.06)	0.65 (0.07)	0.64 (0.09)	0.17 (0.12)	0.77 (0.16)	
Implied marginal tax rate	73%	63%	61%	61%	85%	57%	

Empirical Work on Social Preferences

This paper: “Intergenerational Mobility and Support for Redistribution” by Alberto Alesina, Stefanie Stantcheva, and Edoardo Teso.

<https://scholar.harvard.edu/stantcheva/publications/intergenerational-mobility-and-support-redistribution>

Intergenerational Mobility and Preferences for Redistribution

Alberto Alesina, Stefanie Stantcheva, and Edoardo Teso



(Stereo)typically Documented Views

Americans:

- Econ system mostly “fair,” American dream alive
- Wealth is reward for ability and effort
- Poverty due to inability to take advantage of opportunity
- Effort pays off

- 70% of Americans versus 35% of Europeans believe you can climb social ladder if you work hard (WVS)
- Yet, intergenerational mobility not systematically higher in the US (Chetty *et al.* 2014)

Continental Europeans:

- Econ system is basically unfair
- Wealth due to family history, connections, sticky social classes
- Poverty due to bad luck, society’s inability to help the needy
- Effort may payoff

This Paper: Research Questions

- Do people have realistic views about intergenerational mobility?
- What are their views on fairness, such as the role of effort vs. luck?
- Link between perceived intergenerational mobility and preferred redistribution policies?
 - ▶ **Equality of opportunities** policies (education, bequest taxes)
 - ▶ **Equality of outcome** policies (social insurance, progressive income taxation)?
- Correlation and Causality (experimental).
- Heterogeneity by socio-economic background, political views, own mobility experience?

Survey Structure

- **Background** socio-economic questions, own social mobility experience, political experience.
- **Fairness:** Fair system, reasons poor, reasons rich. [▶ Detail](#)
- **Randomized “information”** experiment to shift views on extent of social mobility. [▶ Randomization](#)
- **Perceptions of intergenerational mobility** in own country.
- **Policies:** Overall intervention, overall support for equality of opportunity, income taxes, estate tax, budget.
- **Government:** views on role and capacities of government (order randomized, pre or post info treatment).

Eliciting Beliefs on Upward Mobility

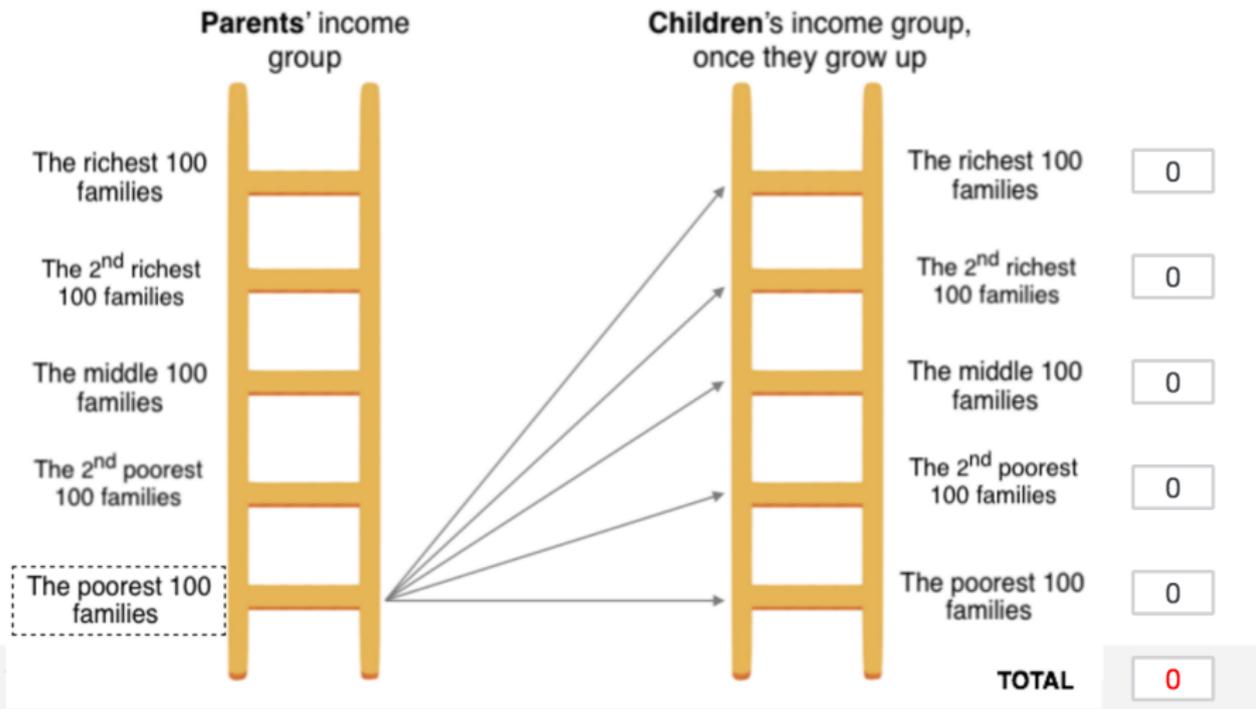
For the following questions, we focus on 500 families that represent the U.S. population. We divide them into five groups on the basis of their income, with each group containing 100 families. These groups are: the poorest 100 families, the second poorest 100 families, the middle 100 families, the second richest 100 families, and the richest 100 families.

In the following questions, we will ask you to evaluate the chances that children born in one of the poorest 100 families, once they grow up, will belong to any of these income groups.

Please fill out the entries to the right of the figure below to tell us, in your opinion, how many out of 100 children coming from the poorest 100 families will grow up to be in each income group.

Eliciting respondent's beliefs on upward mobility

Here are **500 families** that represent the US population:



Eliciting Beliefs on Upward Mobility (II)

Qualitative questions for robustness:

Do you think the chances that a child from the poorest 100 families will grow up to be among the richest 100 families are: [Close to zero, Low, Fairly Low, Fairly High, High].

“American dream question:”

How do you feel about the following statement? “In [country] everybody has a chance to make it and be economically successful.”

Ask about mobility conditional on “effort” and “talent.”

Consider 100 children coming from the poorest 100 families. These children are very determined and put in hard work both at school and, later in life, when finding a job and doing that job.

Consider 100 children coming from the poorest 100 families. These children are very talented.

Robustness: provided absolute cutoffs for quintiles: no change.

Questions on Policies

Logic: Split desired policies into components

- i) overall government involvement and intervention,
- ii) how to share a given tax burden,
- iii) how to allocate a given budget.

Income taxes on top 1%, next 9%, next 40%, bottom 50%. [▶ Detail](#)

Budget allocation on 1) Defense/ Security, 2) Infrastructure, 3) Education, 4) SS, Medicare, DI, and SSI, 5) Social Insurance and Income Support Programs, 6) Health. [▶ Detail](#)

Estate tax: Rate support. [▶ Detail](#)

Support for equality of opportunity policies: subject to other policies being reduced (qualitative, robust, no free lunch). [▶ Detail](#)

Questions on Role and Capacities of Government

Randomized block (outcomes/ pre-existing characteristics):

Trust in government

Tools of the government

Are unequal opportunities a problem?

Scope of government: to reduce unequal opportunities for children from rich and poor backgrounds, from 1 to 7.

Is lowering or raising taxes better for reducing unequal opportunities? [▶ Detail](#)

Ensuring reasonable answers

Appeal to people's social responsibility. [▶ Detail](#)

Warn that “careless answers” will be flagged.

Constrain answers to add up to 100. Tabulating answers – few strange patterns. [▶ Detail](#)

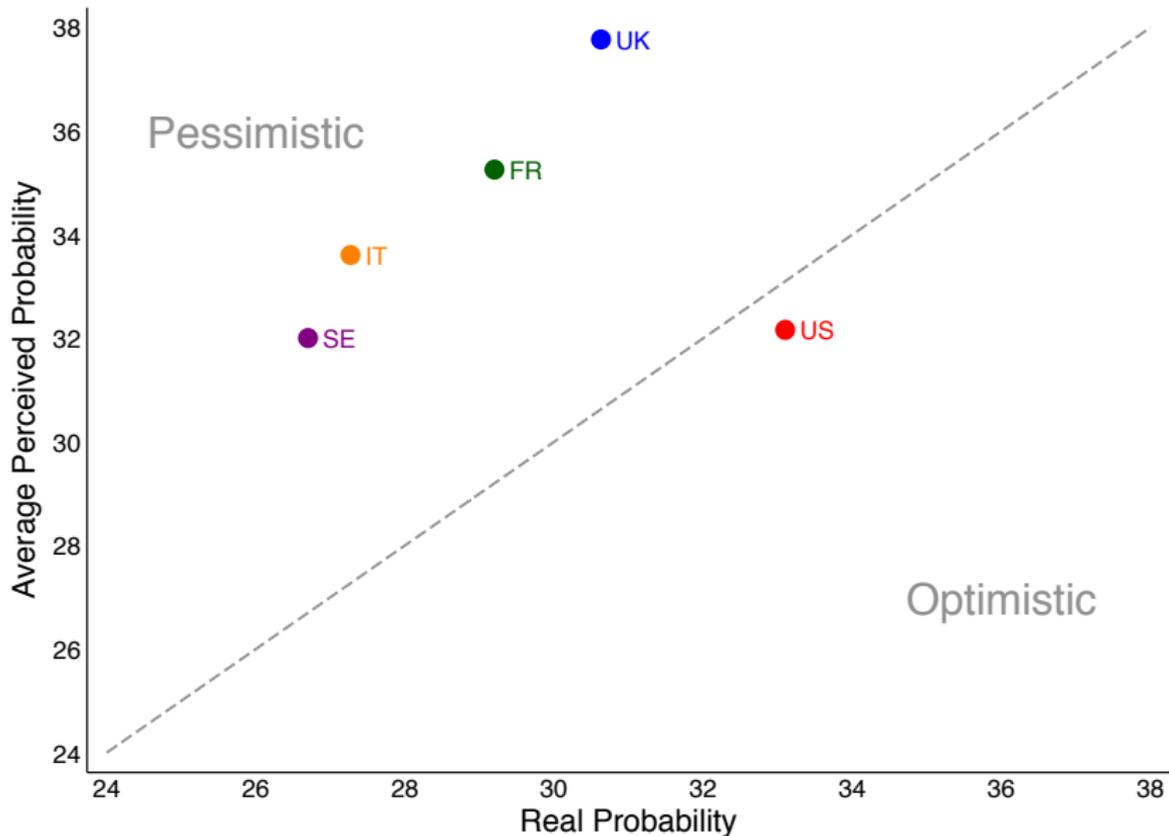
Attention check question (0.88%), Meade and Craig (2012).

Time spent on separate questions' pages and overall survey time.

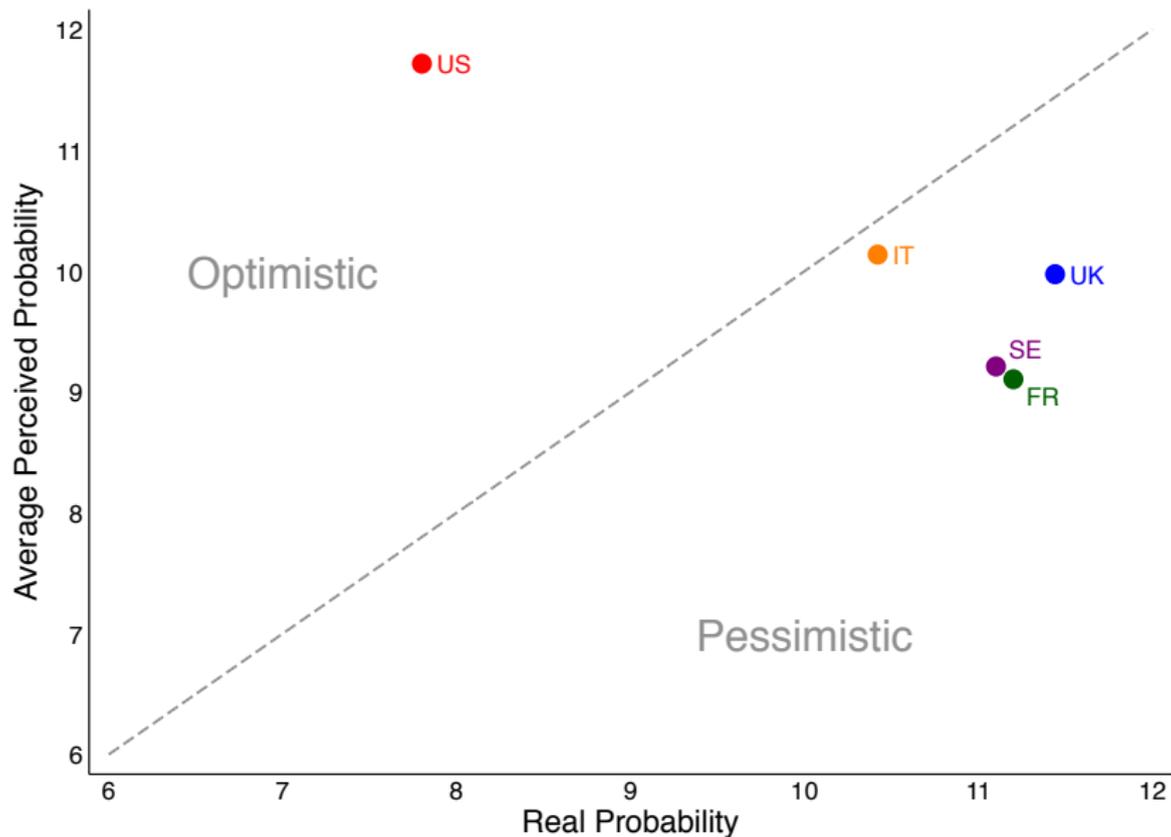
Ask for feedback post survey, whether felt survey was biased (18%).

Asked for questions in different orders (ascending vs. descending) and on different pages.

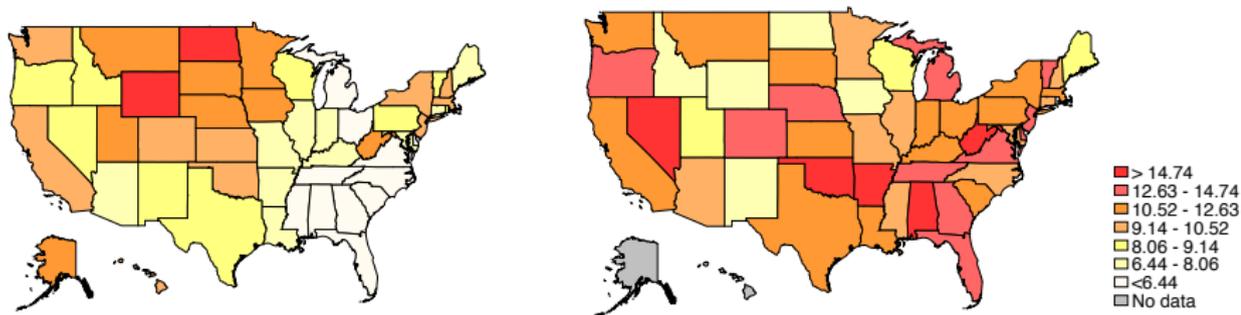
Probability of Staying in Bottom Quintile (Actual vs. Perceived)



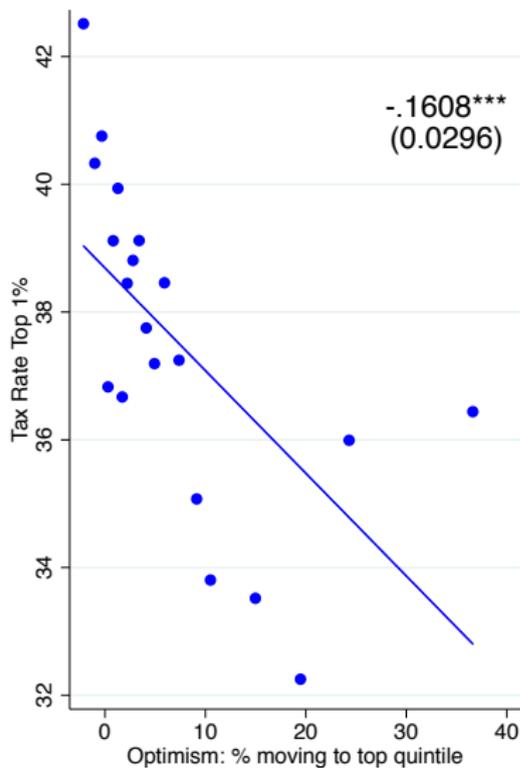
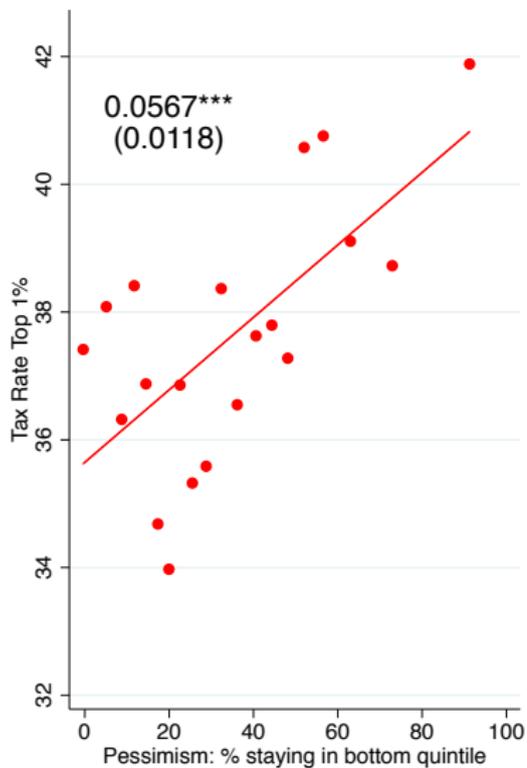
Probability of Moving to Top Quintile (Actual vs. Perceived)



Actual and perceived probability of moving from bottom to top quintile



Pessimism, Optimism, and Top Tax Rate



Randomized Perception Experiment

Causal relationship views on mobility → policy preferences?

Or simply individual characteristics (e.g.: political affiliation).

Cannot exogenously shift actual social mobility → shift perceptions instead.

Our randomized treatment satisfies four criteria:

- 1 Shift perceptions towards more pessimism (Treatment [here](#))
- 2 Homogeneous across countries.
- 3 Does not allude to any policies or to government at all.
- 4 Accurate, not misleading.

What is the Link Between Perceptions of Mobility and Support for Redistribution?

Respondents who are more pessimistic about mobility want more redistribution: more social insurance, more progressive taxes, more spending on education and health.

Effect is strongest on “equality of opportunity” type policies (e.g., education)

Confirmed by an experiment. Showing people negative information on mobility increases their support for redistribution.

But only for left-wing respondents. Right-wing respondents view government “as the problem, rather than the solution.”

“The message on the right is increasingly, it’s not your fault if you’re a loser, it’s the government’s fault.” J.D. vance Hillbilly Elegy.

“Immigration and Redistribution” by Alberto Alesina, Armando Miano, and Stefanie Stantcheva.

<https://scholar.harvard.edu/stantcheva/publications/immigration-and-support-redistribution>

Immigration and Redistribution

Alberto Alesina, Armando Miano, and Stefanie Stantcheva



55% DES FRANÇAIS OPPOSÉS
À L'ACCUEIL DES MIGRANTS



Survey Structure

- **Background** socio-economic questions, sector, immigrant parents, political experience.
- **Treatments** about immigration. [Randomized]
 - ▶ T1: Number, T2: Origin, T3: Hard work of immigrants.
- **Immigration Block:** [Randomized]
 - ▶ **Perceptions of Immigrants.** Number, origin, effort, “Free Riding”, economic conditions (education, poverty, unemployment, transfers).
 - ▶ **Immigration Policies:** Citizenship, when to receive benefits, whether govt should care equally, when are immigrants “truly” American.
- **Redistribution Block:** [Randomized]
 - ▶ **Redistributive Policies:** Overall involvement, income support policies, income taxes, budget + Donation question.
 - ▶ **Role of Government:** Trust, tools to reduce inequality, is inequality a problem, scope for government to intervene in redistribution.

Eliciting Perceptions with Financial Incentives

Respondents are randomly offered financial incentives for correct responses.

Amount of financial incentive is also randomized.

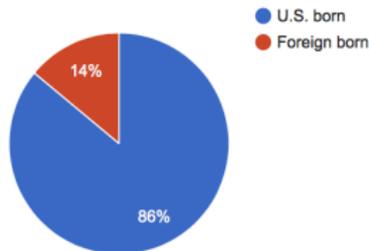
Turns out: incentives do not improve the accuracy of responses.
Suggests people truly “don’t know.”

This info is not so easy to find online (we also warn them not to google).

Eliciting Perceptions on Number of Immigrants

The pie chart below represents all the people currently living in the U.S. Out of all these people currently living in the U.S., how many do you think are legal immigrants? Move the slider to indicate how many out of every 100 people you think are legal immigrants.

U.S. population by country of birth

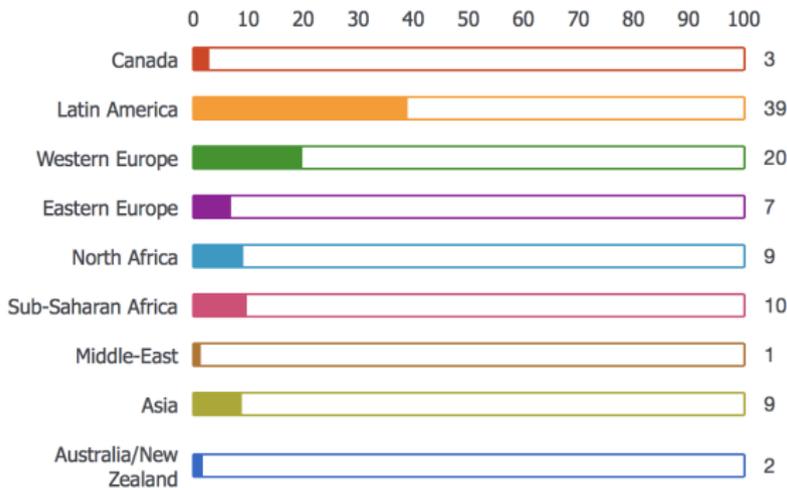
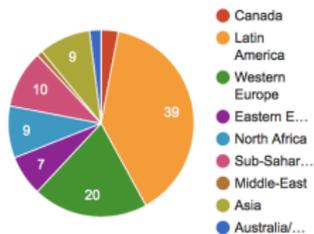


0 10 20 30 40 50 60 70 80 90 100



Eliciting perceptions on Origin of Immigrants

U.S. immigrant population by origin



Economic Conditions of immigrants

Out of every 100 people born in the U.S. how many are currently unemployed? By “unemployed” we mean people who are currently not working but searching for a job (and maybe unable to find one).

Now let's compare this to the number of unemployed among legal immigrants. Out of every 100 legal immigrants how many do you think are currently unemployed?

Out of every 100 people born in the U.S., how many live below the poverty line? The poverty line is the estimated minimum level of income needed to secure the necessities of life.

Let's compare this to poverty among legal immigrants. Out of every 100 legal immigrants in the U.S. today, how many do you think live below the poverty line?

U.S. born residents receive government transfers in the form of public assistance, Medicaid, child credits, unemployment benefits, free school lunches, food stamps or housing subsidies when needed. How much do you think each legal immigrant receives on average from such government transfers? An average immigrant receives... [No transfers/.../More than ten times as much as a US born resident]

Are people “Biased” Against Immigrants?

Imagine two people, John and Mohammad, currently living in the U.S. with their families. John is born in the U.S., while Mohammad legally moved to the U.S. five years ago. They are both 35, have three children, and earn the same low income from their jobs.

In your opinion does Mohammad pay more, the same, or less in income taxes than John? [A lot more; more; the same; less; a lot less]

In your opinion does Mohammad, who is an immigrant, receive more, the same, or less government transfers (such as public assistance, Medicaid, child credits, unemployment benefits during unemployment spells, free school lunches, food stamps or housing subsidies) than John? [A lot more; more; the same; less; a lot less]

Donation Question

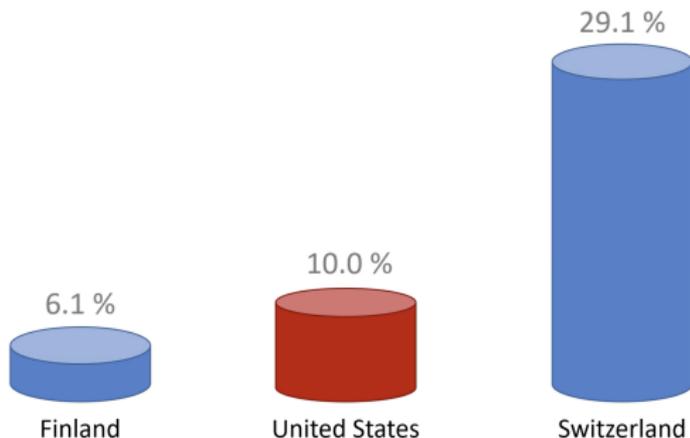
*By taking this survey, you are automatically enrolled in a **lottery to win \$1000**. In a few days you will know whether you won the \$1000. The payment will be made to you in the same way as your regular survey pay, so no further action is required on your part. In case you won, would you be willing to **donate part or all of your \$1000 gain for a good cause**? Below you will find 2 charities which help people in the U.S. deal with the hurdles of everyday life. You can enter how many dollars out of your \$1000 gain you would like to donate to each of them. If you are one of the lottery winners, you will be paid, in addition to your regular survey pay, \$1000 minus the amount you donated to charity. We will directly pay your desired donation amount to the charity or charities of your choosing.*

Charities:

- ▶ US: Feeding America, The Salvation Army
- ▶ France: Les restos du cœur, Emmaüs
- ▶ Germany: SOS Kinderdorf, Tafel
- ▶ Italy: Caritas, Save the Children Italia
- ▶ Sweden: Frälsningsarmén, Majblomman
- ▶ UK: Save the Children U.K., The Salvation Army

Information Treatment: Number of Immigrants

For comparison, among rich countries, the lowest share of legal immigrants is 6.1 %. The largest share of legal immigrants is 29.1 %.



“Anecdote” Treatment: Hard Work of Immigrants



When her day shift at the store ends at 3 pm, Emma starts her second job as a cleaning lady.

She takes two buses to get to her clients.

Main Findings: Effects of Information, Anecdotes and Priming

Factual information on share and origins has no effect.

Just making people think about immigrants (“order treatment”) generates a strongly negative reaction in terms of redistribution.

Recall negative baseline perceptions about immigrants.

Anecdotes work somewhat too: “Hard work” on its own can generate some more support for redistribution.

However, if people are also prompted to think in detail about immigrants’ characteristics (which they are wrong about), priming effect dominates.

If interested in these methods and issues..

Social Economics Lab (<http://socialeconomicslab.org/>)

And lots of references in each of these papers.