

# The Polarization of Reality

Alberto Alesina, Armando Miano and Stefanie Stantcheva  
(Harvard)

*January 2020*

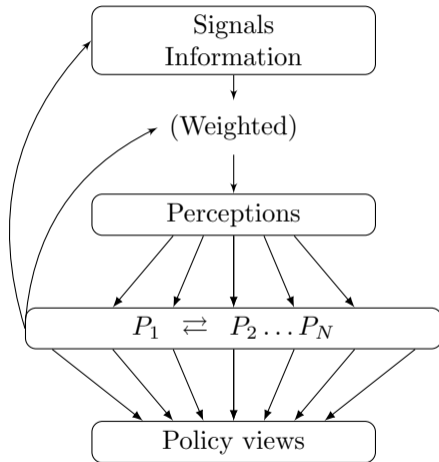
# Introduction

- 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

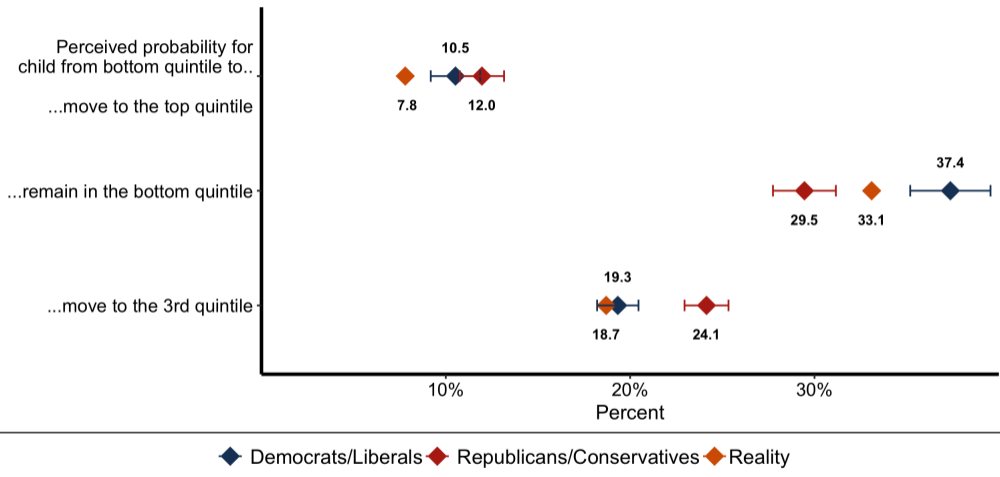
## Conceptual Framework: Updating Process

- 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



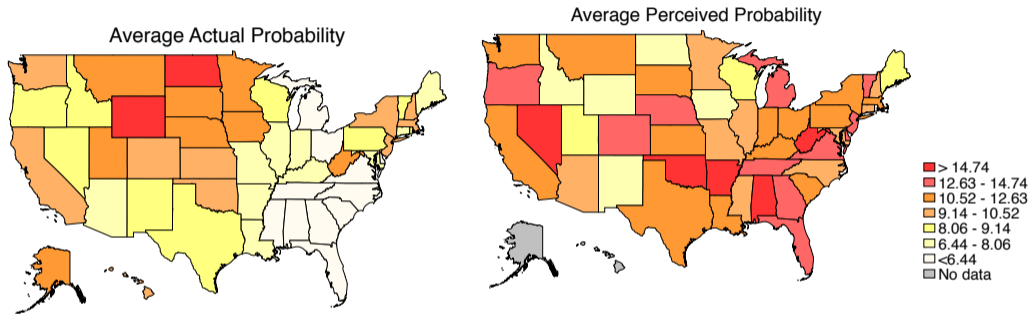
Source: Alesina, Stantcheva and Teso (2018)



## 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

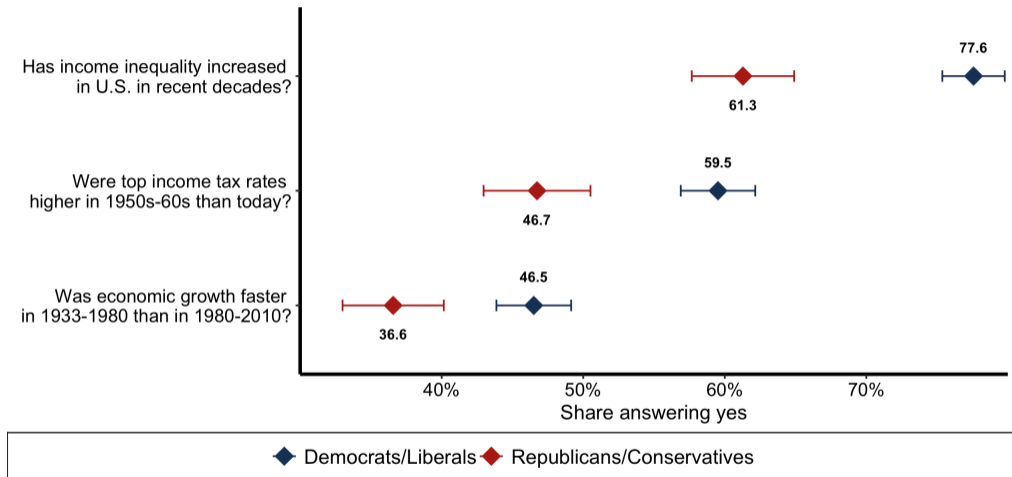
## The American Dream: Perceptions and Policy Views

- 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

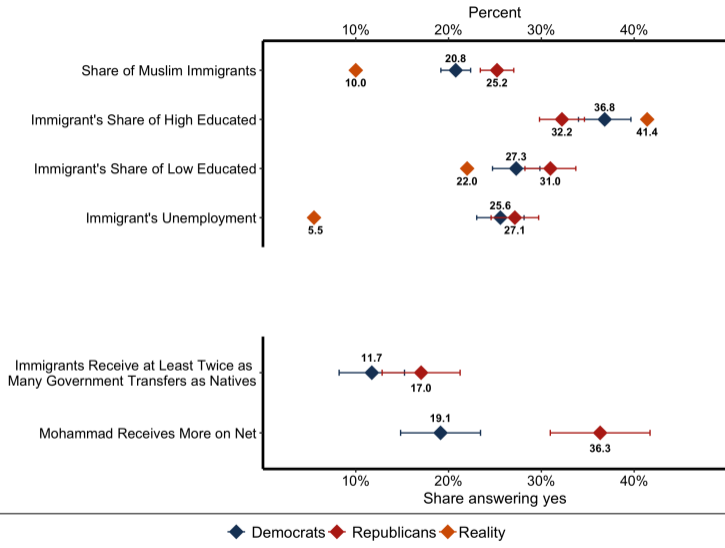
- **Alesina, Miano and Stantcheva (2018):** surveys in U.S., Italy, France, Germany, U.K. and Sweden, November-February 2018 to investigate how natives perceive immigrants in their country and how this affects preferences for immigration policies and redistributive policies
- All respondents overestimate 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



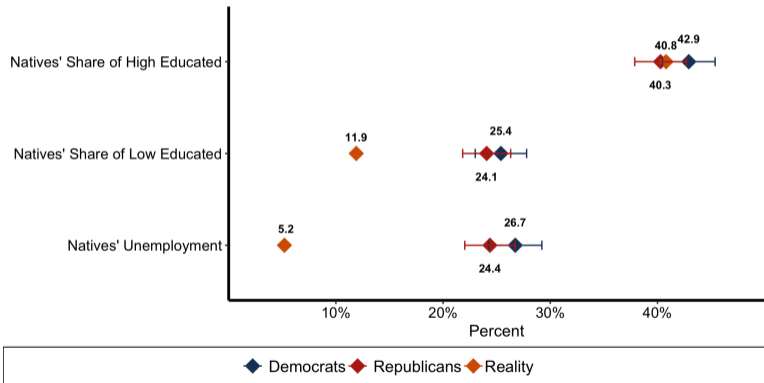
# Immigration



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.

# 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. 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