

Perceptions and Preferences for Redistribution

Prepared for the IFS Deaton Review

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Rise in Inequality, but not in Demand for Redistribution

Our standard theory– the famous median-voter model – predicts that higher inequality should lead to increased demand for redistribution, since policymakers cater to the median voter's preferences.

But this is not generally true across OECD countries.

Part of the explanation of this puzzle: it is not only (or even mainly) reality, but perceptions that shape support for policy.

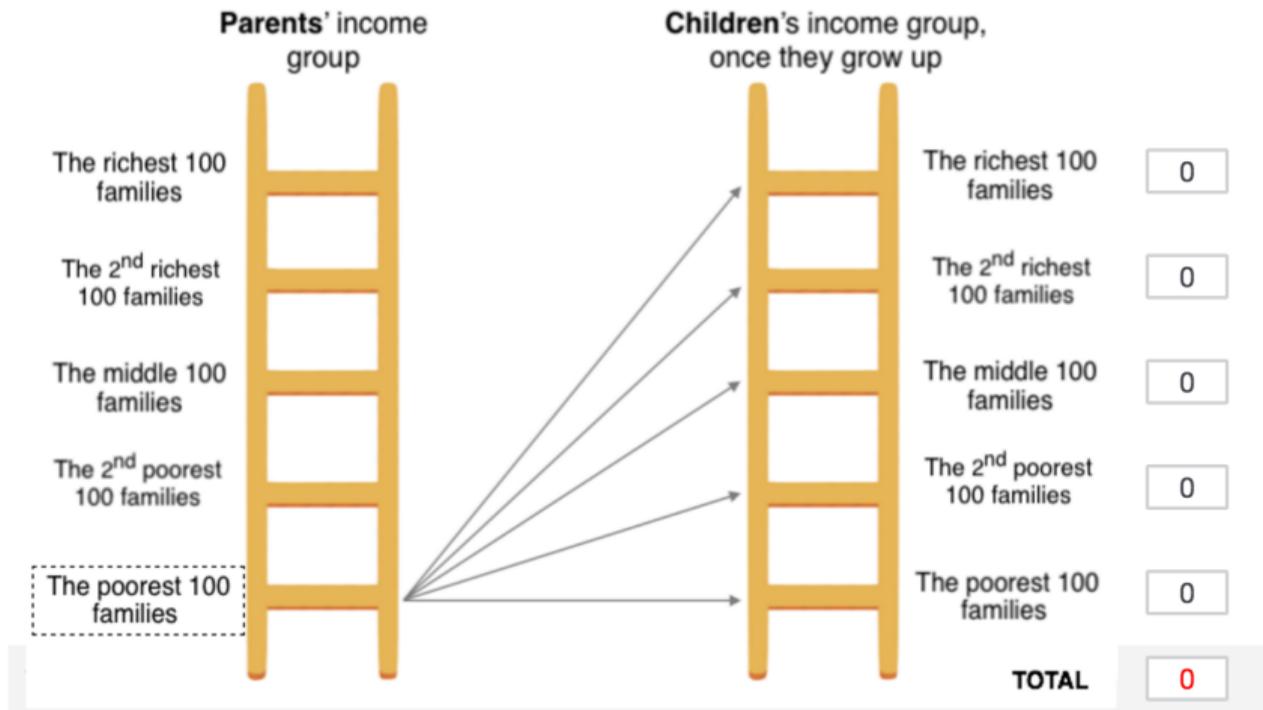
Perceptions of inequality itself, but also other key issues that can deeply influence people's views on redistribution.

Beliefs about social mobility, diversity and immigration, social position, and understanding of how policies work.

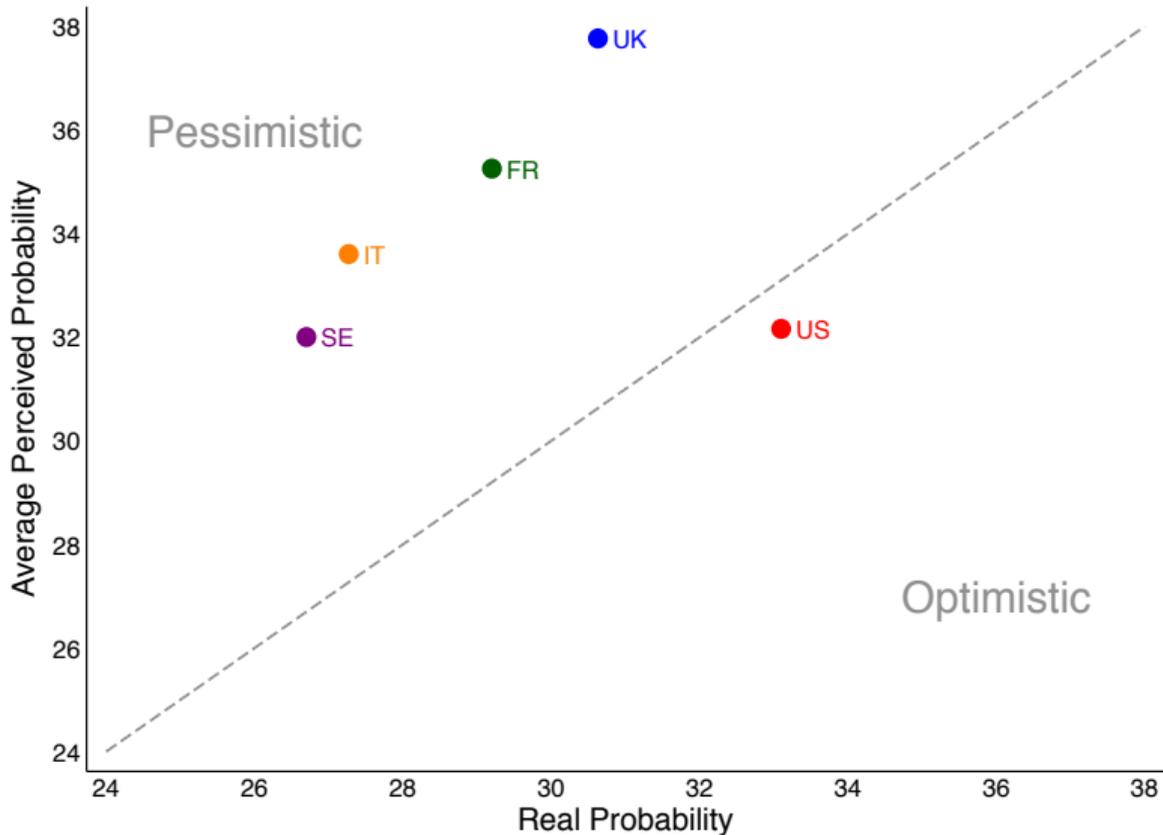
Tool: Large-scale Social Economics Surveys and Experiments.

Eliciting respondent's beliefs on upward mobility

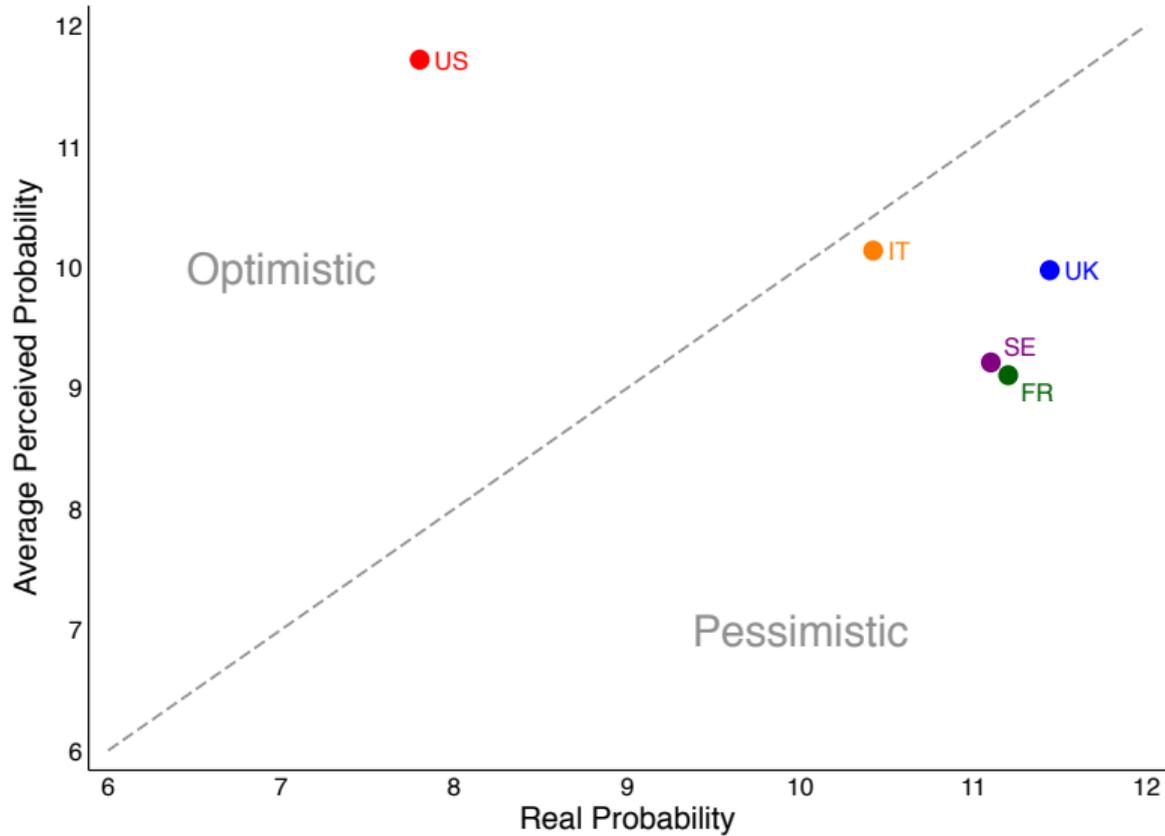
Here are **500 families** that represent the US population:



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



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



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.

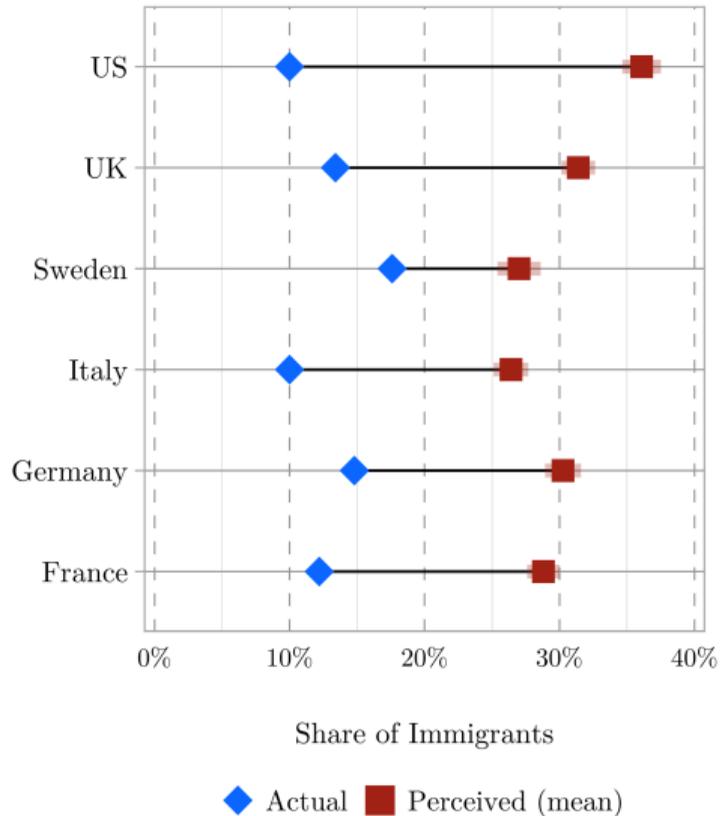
Effect is strongest on “equality of opportunity” type policies (e.g., education)

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

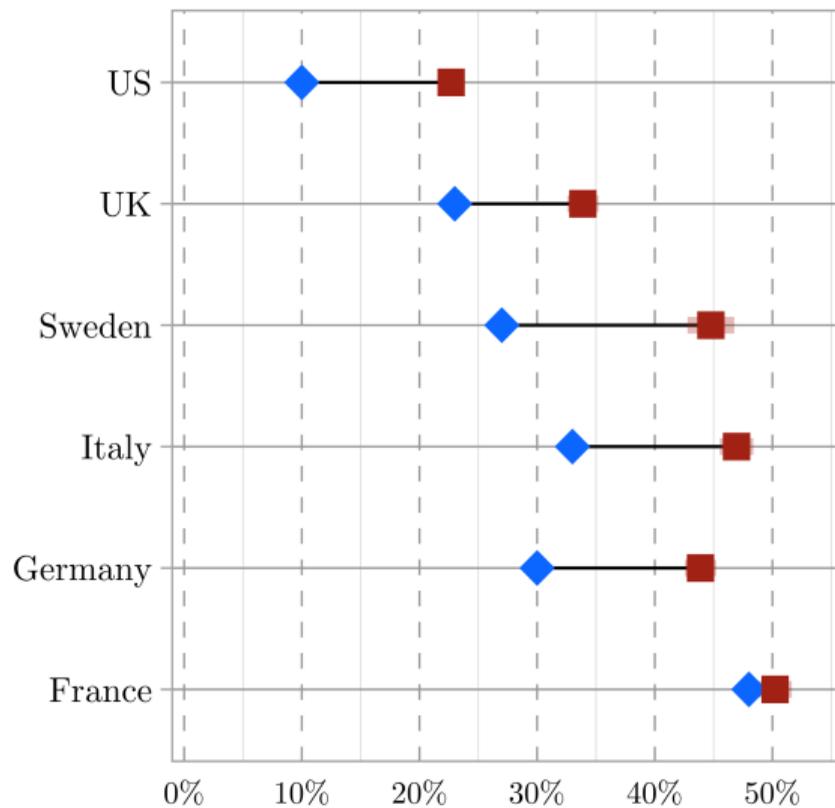
But only for left-wing respondents. Right-wing respondents view government “as the problem, rather than the solution.”

“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.

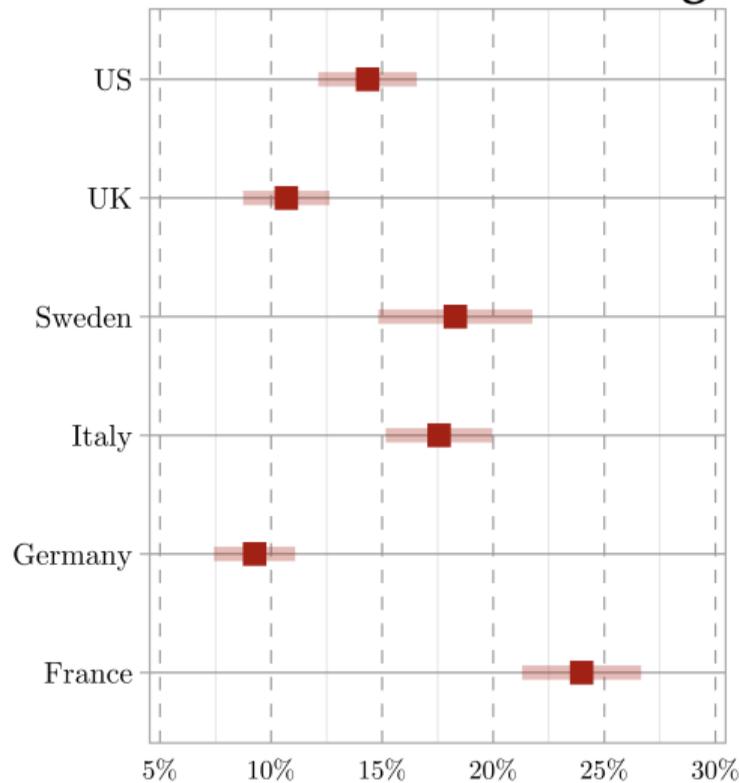
Perceived vs. Actual Number of Immigrants (By Country)



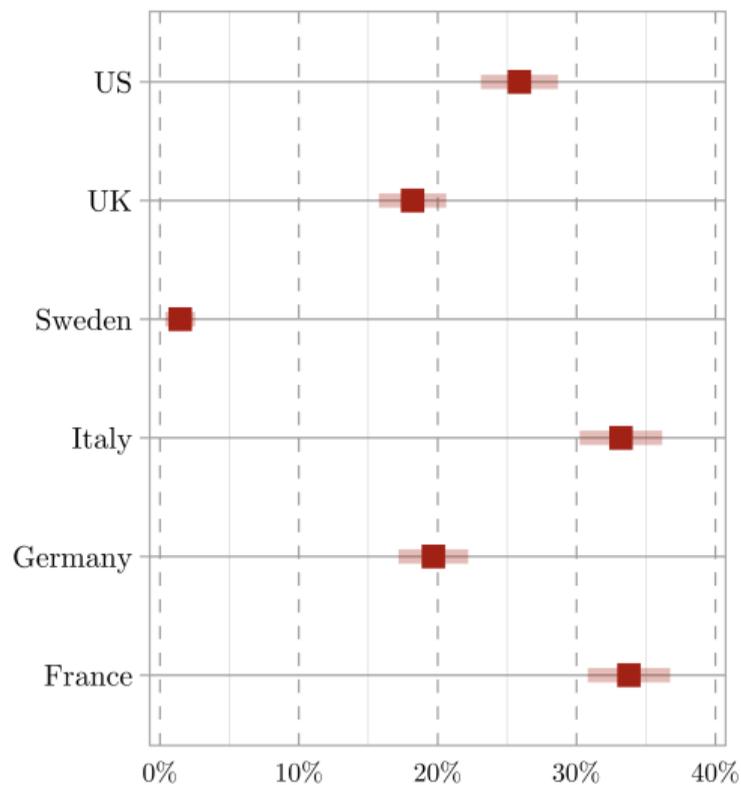
Perceived Share of Muslim Immigrants



Share of Respondents who Think Average Immigrant Receives At Least Twice the Amount of Transfers of non-Immigrants



Does “Mohammad” Get More Transfers and Pay Less Taxes than “John”?



What Can We Do? Hard Facts vs. Narratives

Just making people think about immigrants, before asking them questions on policies for redistribution makes them less likely to support redistribution.

Biggest predictors of whether people will reduce support for redistribution: 1) perception that immigrants “free-ride” and do not put in hard work 2) that immigrants are economically weak.

Perceived cultural distance has weak effects; perceived share of immigrants has no effect

Showing information on the share of immigrants and their origins does not shift people’s views on redistribution.

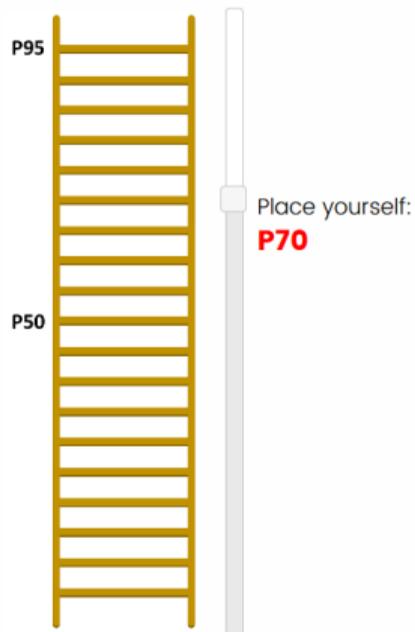
Telling people a story about a “day in the life of a very hard-working immigrant” has more positive impacts. Goes against ‘free-rider’ narrative.

“Hard facts” do not work for immigration, “narratives” are strong and influential.

Eliciting Perceived Own Position

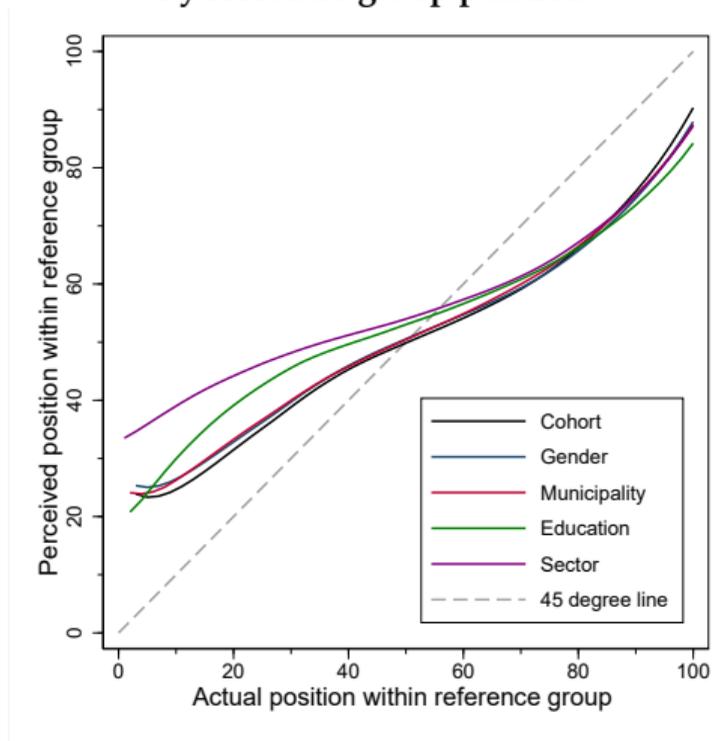
Rank among all people **born in 1970**

You previously reported that you had a yearly income in 2017 of 400000 DKK before tax. We will now ask you to report where you think this income placed you on the income ladder in 2017 for people who were born in 1970. Use the slider to select your position. Later, we will inform you about your true position.



Perceived vs. Actual Social Position in Different Groups

By reference group position



How Does Social Position Shape Views on Inequality?

People who are ranked higher in each group think that inequality of incomes within that group is more fair.

They also think that income differences in that group are due to differences in effort, rather than in “luck” (different circumstances).

They are also more likely to vote for right-of-center parties.

This is also true if we look at the effects of past social positions on your views today.

Inequalities between co-workers (in firm or sector) & people with same education are considered most unfair ... and are much bigger than people think!

Shocks to Position and Fairness Views

Can look at effect of positive shocks (promotion at work) and negative shocks (unemployment, disability, hospitalization).

Some of these shocks are large but rare (disability); others frequent but small (hospitalization), and others in between (unemployment spell, promotion).

We find that a negative shock between 5 and 10 years ago makes people think inequality is less fair; not much effect on stickier views (role of effort, political affiliation).

Information Treatment

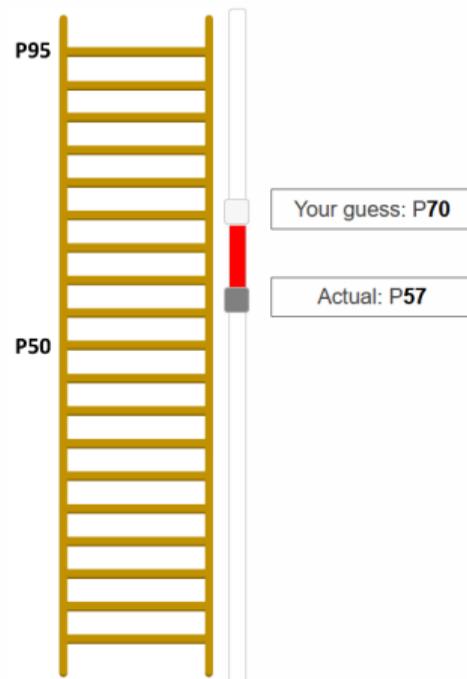
Positive Misperception

Rank among all people born in 1970

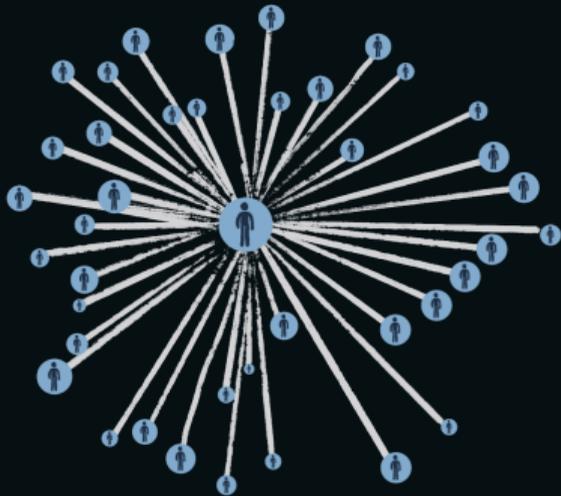
You GUESSED that you were on position **P70**.

Based on the income you reported, your TRUE position is **P57**.

You are actually 13 positions lower on the ladder than you thought.



THANK YOU!



S O C I A L

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