

Beliefs about Behavioral Responses to Taxation

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Abstract

Behavioral responses to taxation affect the trade-off society faces between implementing equality and efficiency. Several influential theoretical papers have used heterogeneity in beliefs about behavioral responses to taxation to explain variation in people's support for redistribution of income in society. In this study, we use a purposefully simple task to elicit incentivized beliefs from a representative sample of over 9,000 Americans about how taxes affect people's effort choices. We also elicit incentivized equality–efficiency preferences. We find that Democrats and Republicans have virtually identical beliefs about behavioral responses to taxation. Furthermore, we find that beliefs about behavioral responses to taxation fail to explain variation in people's support for redistribution of income in society. Equality–efficiency preferences, by contrast, strongly predict both people's political affiliation and their support for redistribution of income in society. Finally, we explore the role of motivated beliefs and group identity by priming the respondents about the political debate on taxation and party views on behavioral responses to taxation. (*JEL* C91, D83, H20)

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“Just like economists, voters have conflicting views about redistributive taxation because they estimate its incentive costs differently.”

– Thomas Piketty (1995)

1 Introduction

The redistribution of income and wealth is one of the most polarizing topics in politics. In the US, for instance, 80 percent of Democrats think that the government should implement “heavy taxes on the rich,” while only 22 percent of Republicans think the same (Newport, 2016). Which factors can account for this large disagreement? One prominent explanation is that voters have conflicting views about redistribution because they have different beliefs about behavioral responses to taxation (Meltzer and Richard, 1981; Piketty, 1995). If this explanation is correct, we should—when controlling for income—expect to see large differences in beliefs about behavioral responses to taxation between Democrats and Republicans.

We test this prediction by eliciting incentivized beliefs about behavioral responses to taxation from a sample of over 9,000 Americans. In the study, we employ a spectator-worker design where spectators estimate how much workers produce on a real-effort task under different payment schemes. We elicit beliefs using a purposefully simple task to get precise and incentivized estimates of the spectator’s beliefs about behavioral responses to taxation.

In the experiment, we inform the spectators that we have recruited workers from an online labor market to work on a task for one hour. We then ask the spectators to estimate how much the workers produced under different incentive schemes. In the main treatment, we incentivize the spectators to estimate how much workers produced under a 20 cents piece rate with a 50 percent tax to the US government compared to a 20 cents piece rate with no taxes on earnings. In contrast to predictions from the most basic political economy model of redistribution (Meltzer and Richard, 1981), we find no systematic differences between Republicans and Democrats in their beliefs about behavioral responses to taxation.

Although Republicans and Democrats do not differ in their beliefs about behavioral responses to taxation, incentive costs may still be a source of political disagreement if people assign different importance to efficiency relative to equality (Almås, Cappelen, and Tungodden, 2016; Fisman, Jakiela, and Kariv, 2015). To explore whether Democrats

and Republicans have different equality-efficiency preferences, we gave the spectators the opportunity to redistribute earnings between two workers. In this setting, the spectators had identical beliefs about the cost of redistribution and there was a real trade-off between implementing equality and efficiency. We document large differences in equality-efficiency preferences between Democrats and Republicans: for instance, Republicans are 15.7 percentage points less likely than Democrats to redistribute earnings between the workers.

We use our incentivized measures of beliefs and preferences to explore whether preferences or beliefs are more important in forming people's views on redistributive policies. We find that while beliefs about behavioral responses fail to explain any variation in people's views on whether society should aim to equalize incomes, equality-efficiency preferences strongly predict people's attitudes on this question. However, we do find a correlation between beliefs and views on whether income taxes should be increased to reduce inequality. This result demonstrates that Democrats—who, unlike Republicans, generally support the view that a society should aim to equalize incomes—are more willing to use the tax system to achieve this goal if they do not think incentive costs are too high.

Finally, we introduce several treatments to explore mechanisms and test for robustness. First, we find that our main result of no political differences in beliefs about behavioral responses to taxation is robust to different settings where we varied i) the recipient of the tax revenue and ii) whether the workers had to pay taxes or were simply paid a lower wage. Second, we find that our main result is also robust to eliciting beliefs in political contexts where we prime the spectators about i) the political debate on taxation and ii) party views on behavioral responses to taxation.

By investigating the role of beliefs about behavioral responses to taxation in forming attitudes towards redistribution, our results contribute to a rich literature on the determinants of people's redistributive preferences (for a review, see Alesina and Giuliano, 2011). In particular, we relate to studies showing that people's fairness preferences may be instrumental in forming their views on redistributive taxation (Alesina and Angeletos, 2005; Almås et al., 2016; Bénabou and Tirole, 2006; Di Tella, Dubra, and Lagomarsino, 2017).

This paper proceeds as follows: Section 2 describes the design, Section 3 presents the theoretical frameworks, Section 4 reports the main results, and Section 5 concludes.

2 Design and sample

We collected data for two types of participants: *spectators* and *workers*. For the spectators, the experiment had three main parts: (i) beliefs about behavioral responses to taxation, (ii) equality-efficiency preferences, and (iii) views on redistribution. The spectators were first asked to predict how much a group of workers had produced on an assignment. The spectators were randomly assigned treatments with different payment schemes for the workers. After the belief elicitation, the spectators decided whether or not to redistribute earnings between a pair of workers. Finally, we asked the spectators' about their views on redistribution.

We collected data for the experiment in two separate rounds: Between May and July 2017, we collected data for both workers and spectators. In February/March 2018, we collected additional data for the spectators. Before we collected data for each round, we submitted a pre-analysis plan to the AEA RCT Registry (registered as trial 2186).

2.1 The workers

To elicit beliefs about behavioral responses, we first recruited 1616 workers from the online labor market Amazon Mechanical Turk (MTurk).¹ We paid the workers a \$2 participation fee and they could work on a real-effort task for up to one hour. The real-effort task consisted of checking off even numbers in large matrices of random numbers. There were 30 matrices in total, and the workers could spend up to two minutes on each matrix. After each matrix, the workers got a summary screen that summarized how many points they had produced and their bonus so far.

In the first worker group, workers earned 20 cents for every 100 points they produced. To elicit beliefs about behavioral responses to taxation, we needed a second group of workers that had to pay taxes on their earnings. In the second group, workers therefore also earned 20 cents for every 100 points they produced, but they had to pay a 50 percent tax on their earnings. Workers were informed that the tax revenue would be transferred to the US government for general use.

A key advantage of recruiting actual workers is that we could explore mechanisms by adding additional treatment variations to the design. To investigate whether the

¹MTurk is increasingly used by researchers to access a large and diverse subject pool. For recent reviews of the MTurk platform, see, e.g., Horton, Rand, and Zeckhauser (2011) and Kuziemko, Norton, Saez, and Stantcheva (2015).

spectators thought the workers were intrinsically motivated to pay taxes, we added a third treatment where the workers were paid 10 cents for every 100 points they produced (thus keeping the after-tax incentive constant versus the treatment with a 50 percent tax to the government). Furthermore, to explore whether beliefs about any intrinsic motivation to pay taxes depended on the recipient of the tax revenue, we added a fourth treatment. In this treatment, the workers earned a 20 cents piece rate for every 100 points produced but to pay a 50 percent tax on their earnings. To vary the recipient of the tax revenue, the workers in this group were informed that the tax revenue would be redistributed back to all 400 workers in the treatment as a lump-sum payment.

To be able to elicit incentivized equality-efficiency preferences from the spectators, we also recruited additional 2100 workers on MTurk to answer a 10 minute opinion survey. After having finished the survey, these workers were informed that they had been matched in pairs and that their pay would be determined by a lottery in which the winner would earn \$7 and the loser would earn \$1.

2.2 The spectators

2.2.1 Sample

We recruited 10,021 spectators using Research Now, which is one of the leading digital data collection agencies in the United States. To secure reasonable data quality, we choose to exclude 339 spectators who spent less than fifteen seconds on the belief elicitation page.² We recruited the spectators from Research Now's *Political Panel*. Data on the spectators' political affiliation is provided directly by L2, which is one of the largest voting tracking companies in the US.³ We found this to be an attractive feature of the *Political Panel* for two reasons. First, data on people's political affiliation is partly based on their real voting behavior. Second, we did not have to ask people about their political affiliation in the experiment. This mitigates concerns about priming and, if respondents could infer that we were studying political differences, also mitigates concerns about experimenter demand. Since we wanted to focus on

²We did not pre-specify this data exclusion rule, but given that the belief elicitation page contained 217 words, a figure, and a data entry box, we consider it impossible for subjects to comprehend the material without spending more than fifteen seconds on the page.

³More information about L2 and their voter file is available on their web page, <http://www.l2political.com/>.

political differences, we only recruited Republicans and Democrats to participate in the study. The samples of both Republicans and Democrats were selected to match the general US population in terms of gender, age, income, race, and geography.

2.2.2 Beliefs about behavioral responses to taxation

The spectators are first told that they will be asked how much they think others performed on a task and that they may earn a bonus if their answer is sufficiently close to how others actually performed on the task. We give the spectators the opportunity to spend up to two minutes on the task to gain familiarity with it. To elicit people's beliefs, we tell the spectators that two groups of workers have been offered different bonus schemes: *Bonus A* and *Bonus B*. In our main treatment (Government Tax), Bonus A offers workers a 20 cents piece rate while Bonus B offers workers a 20 cents piece rate with a 50 percent tax to the US government. All spectators are then informed about how much workers offered Bonus A produced (3032 points on average). They are also shown a histogram of the distribution of points produced among workers offered Bonus A. We then ask the spectators the following question: "What do you believe individuals offered **Bonus B** produced on average?" Furthermore, we promise the spectators a \$10 bonus if their answers are within plus/minus five percent of how much the workers offered Bonus B actually produced.⁴

In addition to the main Government Tax treatment described above, we introduce several between-subject treatment variations to explore mechanisms. The first round has two additional treatments: Low Pay and Redistributive Tax. In Low Pay, Bonus B is described as a 10 cents piece. In Redistribute Tax treatment, Bonus B is described as a 20 cents piece rate with a 50 percent tax that is redistributed back to workers as a lump-sum payment. This treatment design allows us to study beliefs about how both personal and social incentives shape work effort.

The second round has two treatments in addition to the Government Tax treatment: Motivated Beliefs and Group Identity. In these treatments, we prime people about, respectively, the political debate on taxation and party views on behavioral responses to taxation. In the Motivated Beliefs treatment, we emphasize that a key issue in the political debate on taxation is how taxes "affect people's willingness to work hard." In

⁴To participate in their surveys, Research Now pays respondents in points that can be converted into "e-Rewards." While we paid Research Now \$10 for correct estimates, the respondents actually received points equal to \$10 in this panel currency. The points can be spent on retail vouchers that they have pre-selected, for instance on Amazon, when they reach a certain number of points.

the Group Identity treatment, we emphasize that political parties disagree about how taxes affect people's willingness to work hard and that "the Republican Party more often than the Democratic Party claims that taxes discourage people from working hard." These treatments allow us to provide evidence on whether people's beliefs about behavioral responses to taxation are, respectively, motivated by a desire to justify their existing attitudes or motivated by a desire to enhance their political group identity (Alesina and Giuliano, 2011; Bénabou, 2015).

2.2.3 Equality-efficiency preferences

In the second part of the experiment, we introduced a real redistributive setting with two key features: (i) the spectators had identical beliefs about the cost of redistribution and (ii) there was a real trade-off between implementing equality and efficiency. We told spectators that they had been given opportunity to redistribute earnings between two workers that had participated in a lottery. The spectators were informed that the worker winning the lottery had been earned \$7 and the worker losing the lottery had earned \$1. We also told spectators that the workers did not know the outcome of the lottery, but that the workers had been informed that a third person would be given the opportunity to redistribute their earnings. Finally, we introduced a cost of redistribution: each dollar redistributed from the lucky worker to the unlucky worker would reduce the payments to the lucky worker by \$2. The spectators could thus choose between keeping the unequal income distribution (7,1) or implement any of the following income distribution: (5,2), (3,3), or (1,4). Furthermore, to keep relatively high stakes for the redistributive decision, we informed the spectators that their decisions would be implemented with a one in ten chance.

2.2.4 Views on redistribution

Finally, we elicited the spectators' views on redistribution by asking them the following question: *Where would you rate yourself on a scale from 1 to 10, where 1 means: "I think a society should aim to equalize incomes" and 10 means: "I think a society should **not** aim to equalize incomes."* In the second round, we also added a second measure of views on redistribution that more directly addressed redistribution through the tax system: *"Where would you rate yourself on a scale from 1 to 10, where 1 means "I think the U.S. should increase income taxes to reduce inequality" and 10 means: "I think the U.S. should **not** increase income taxes to reduce inequality."*

3 Theory

To guide the interpretation of the results presented in the next section, we first present three simple frameworks that motivated our design.

3.1 Beliefs about behavioral responses to taxation

We assume the spectators take two factors into account when estimating behavioral responses to taxation: (i) how costly it is for workers to provide effort, and (ii) how much workers value a dollar to the government. The first factor follows from the *standard model* in economics, according to which workers only care about their personal incentives. The second factor is more novel: the spectators may believe that workers are intrinsically motivated to pay taxes.⁵ Formally, in our model of how the spectators form their expectations, workers in the Government Tax treatment maximize utility given by:

$$U(e; \cdot) = we[(1 - \tau) + \gamma\tau] - c(e) \quad (1)$$

where w is the piece-rate wage; e is points produced (effort); τ is the tax rate; γ is the perceived value of a dollar to the government; and $c(e)$ is a convex cost-of-effort function that satisfies the usual conditions. Utility is linear in wealth (i.e, we abstract from income effects). The first-order condition for this problem is given by:

$$e^* = c'^{-1}(w[(1 - \tau) + \gamma\tau]) \quad (2)$$

Thus, the spectators can have different beliefs about workers' cost of providing effort, $c(e)$, and the workers' social preferences towards the government, γ . The treatment difference between Government Tax and Low Pay allows us to identify whether spectators think $\gamma = 0$ as the standard model in economics predicts. Furthermore, the treatment difference between Government Tax and Redistributive Tax allows us to identify whether beliefs about γ depend on the recipient of the tax revenue.

⁵A small experimental literature has provided conflicting evidence on the extent to which people are intrinsically motivated to pay taxes. Kessler and Norton (2016) find that workers provide less effort when they are taxed compared to when their wages are cut by the same amount as the tax. By contrast, Rick, Paolacci, and Burson (2018) find that taxes motivate people who favor redistribution and government intervention to work harder.

3.2 Equality-efficiency preferences

We use a standard spectator framework to guide the analysis of the equality-efficiency preferences (Almås et al., 2016; Cappelen, Konow, Sørensen, and Tungodden, 2013). In the framework, the spectators care about *fairness* and *efficiency*. Formally, the spectators' utility function is given by:

$$V(y; \cdot) = -\frac{\beta}{2}(y - m)^2 - \psi y \quad (3)$$

where $\beta > 0$ is the weight attached to fairness relative to efficiency; y is the share of total income to the unlucky worker; m is the spectators' perceived fair share of total income the unlucky workers; and ψ is the cost of redistribution. The optimal solution is given by:

$$y^* = m - \frac{\psi}{\beta} \quad (4)$$

The model captures that the spectators may differ in two respects: what what they is fair, m , and how much weight the attach to fairness relative to efficiency, β . It follows from (4) that spectators who mainly care about fairness redistribute earnings such that the actual share to the unlucky workers equals the perceived fair share (i.e., $\beta \rightarrow \infty$ implies that $y^* \rightarrow m$). By contrast, spectators who mainly care about efficiency would choose to not redistribute at all (i.e., $\beta \rightarrow 0$ implies that $y^* \rightarrow 0$).

3.3 Views on redistribution

We use a simple theoretical framework, adopted from Alesina and Giuliano (2011), to guide results on people's views on redistribution. The utility function for individual i is given by:

$$U_i = c_i(Q; \cdot) + \theta_i C(Q; \cdot) - \delta_i (Q - Q_i^*)^2 \quad (5)$$

where $c_i(Q; \cdot)$ is i 's consumption; Q is a measure of inequality; $C(Q; \cdot)$ is total consumption in society; θ_i is i 's weight on economic efficiency (maximizing total consumption); Q_i is i 's ideal level of inequality; and δ_i is i 's weight on deviations from his ideal level of inequality. Individuals thus face a trade-off between maximizing own income, economic efficiency, and fairness. This trade-off depends on beliefs about how inequality affects incentives to work hard.

4 Results

We present four sets of results. First, we analyze whether Republicans and Democrats have different beliefs about behavioral responses to taxation. Second, we analyze whether they have different equality-efficiency preferences. Third, we investigate whether preferences or beliefs are more important in explaining people's policy views on redistribution. Finally, we test the robustness of our main results.

4.1 Do Democrats and Republicans have different beliefs?

Figure 1 shows the distribution of beliefs about production in the Government Tax treatment separately for Democrats and Republicans (the histogram includes observations from both rounds). The figure documents a large degree of heterogeneity in beliefs within both groups, but does not reveal any systematic differences in beliefs between the groups. On average, respondents expect production to decrease by 33.5 percent in response to a 50 percent tax to the government, i.e. an implied labor supply elasticity of 0.67. Republicans expect a 1.7 percentage points larger reduction in production than Democrats, but the difference is not statistically significant ($p=0.291$). This result is robust to adding demographic controls in a regression. Our first main result is thus as follows:

Result 1 *We find no systematic differences between Republicans and Democrats in their beliefs about behavioral responses to taxation.*

4.2 Do Democrats and Republicans have different preferences?

Figure 2 shows the distribution of the amount redistributed between the lucky and unlucky worker separately for Democrats and Republicans. The figure shows a large degree of heterogeneity both within and between groups. Our second main result is the following:

Result 2 *We observe large differences in equality-efficiency preferences between Democrats and Republicans.*

Specifically, we find that 56.1 percent of Republicans choose not to redistribute any income—and thus keep the (7,1) income distribution between the lucky and unlucky

worker—compared to 40.4 percent of Democrats. The difference is highly significant ($p < 0.01$). Republicans are thus more likely than Democrats to put maximum weight on efficiency relative to equality.⁶ At the other extreme, 30.1 percent of Democrats choose to implement (3,3) and thus fully equalize incomes compared to 22.1 percent of Republicans. Again the difference is highly significant ($p < 0.01$). Furthermore, 2.6 percent of the respondents show evidence of spite towards the lucky worker: they redistribute \$4 to implement the income distribution (1,4). However, we only see a non-significant difference of 0.8 percentage points between Republicans and Democrats on this measure ($p = 0.17$).

4.3 Demand for redistribution: Beliefs versus preferences

We have uncovered significant heterogeneity in both beliefs about behavioral responses to taxation and in equality-efficiency preferences. We now turn to the question of whether the heterogeneity we observe in beliefs and preferences can explain variation in people’s views on the redistribution of incomes in society. We explore this question using the following specification:

$$\text{redistribution}_i = \beta_0 + \beta_1 \text{beliefs}_i + \beta_2 \text{preferences}_i + \beta_3 \mathbf{x}_i + \varepsilon_i \quad (6)$$

where redistribution_i is a measure of support for redistribution of income in society; beliefs_i is beliefs about behavioral responses to taxation (points produced in the Government Tax treatment); preferences_i is the amount redistributed between the lucky and unlucky workers; and \mathbf{x}_i is a vector of pre-specified controls. We have z-scored all variables for ease of interpretation. Table 1 presents the results.

Column 1 shows that preferences strongly predict people’s support for equalization of incomes in society: a one-standard deviation change in preferences is associated with a 0.17 standard deviation change in support for equalization of incomes in society. By contrast, our measure of beliefs about behavioral responses to taxation fail to explain any variation in people’s support for equalization of incomes in society with a point estimate of 0.004 ($p = 0.84$). In columns 2 and 3, we split the sample by Republicans and Democrats to see whether the weights on preferences and beliefs differ between the groups. Beliefs still fail to explain any variation in redistributive

⁶Some of these spectators may also implement (\$7,\$1) not because they care about efficiency per se, but because they have a libertarian fairness ideal. Almås et al. (2016) estimate that approximately 20 percent of Americans subscribe to the libertarian fairness view.

views, but preferences seem to be considerably more important for Republicans than for Democrats.

Columns 3–6 report the corresponding regressions for our second measure of support for redistribution: whether respondents think the U.S. should increase income taxes to reduce inequality. This question has fewer responses because it was only asked in the second round. Column 4 shows that beliefs about behavioral responses to taxation successfully explain variation in this measure: a one-standard deviation change in beliefs is associated with a 0.07 change in support for higher income taxes to reduce inequality ($p < 0.01$); that is, respondents who think incentive costs are lower are more in favor of increasing taxes to reduce inequality. Columns 5 and 6 show that this result is entirely driven by Democrats: beliefs fail to explain any variation in support for higher income taxes among Republicans. Furthermore, preferences seem to be considerably more important for Republicans than for Democrats on this measure as well. Our third main result is as follows:

Result 3 *Equality-efficiency preferences are strongly associated with views on whether society should equalize incomes and whether the government should increase taxes to reduce inequality. Beliefs about incentive costs are associated with views on whether the government should increase taxes to reduce inequality, but only for Democrats.*

We believe that this result provides strong evidence that different views on equalization of incomes in society are driven primarily by differences in preferences rather than differences in beliefs.

4.4 Beliefs about behavioral responses: Robustness

To test the robustness of our main result of no political differences in beliefs, we test whether Democrats and Republicans have different beliefs about how private and social incentives shape work effort. Table 2 presents the results.

Column 1 shows that the spectators believe that a tax to the government is more detrimental to production than paying workers a lower wage with the same personal incentives. Specifically, spectators in the Low Pay treatment estimate that workers produce 4.7 percentage more than spectators in the Government Tax treatment ($p < 0.01$). Second, the Redistributive Tax treatment demonstrates that beliefs about behavioral responses to taxation depend on the recipient of the tax revenue: the spectators in the Redistributive Tax treatment estimate that workers produce 7.3 percentage more

than spectators in the Government Tax treatment ($p < 0.01$). The difference between Low Pay and Redistributive Tax is marginally significant ($p < 0.10$), which is suggestive evidence that the spectators think the workers are socially motivated to pay taxes if the revenue benefits other workers.

Column 4 shows that there are no political heterogeneity in response to the treatments, which suggests that Democrats and Republicans have virtually identical beliefs about how both private and social incentives shape work effort.

4.5 Motivated beliefs and political polarization

One reason we fail to find any systematic differences in beliefs between Republicans and Democrats could be that we elicited beliefs in a non-political context where participants did not take into account the political implications of their stated beliefs. We now turn to the question of whether our priming treatments, which introduced a political context to the belief elicitation, caused polarization in beliefs and preferences between Republicans and Democrats. Table 3 presents the results.

Column 1 shows that the Motivated Beliefs treatment, in which we emphasized that a key issue in the political debate on taxes is how they affect people's willingness to work hard, made Democrats and Republicans alike believe in a higher incentive cost of taxation. One interpretation of this result is that this treatment mainly succeeded in making the negative aspects of taxation more salient, which—since there are no systematic differences in beliefs between Republicans and Democrats—triggered the same response from both groups. By contrast, in the Group Identity treatment, in which we highlighted that the Democratic Party and Republican Party had different views on whether taxes discourage people from working hard, we see no treatment effects on beliefs.

Column 2 shows whether the treatments affected people's equality-efficiency preferences. We find suggestive evidence of polarization in the Motivated Beliefs treatment: the treatment increased polarization between Republicans and Democrats by 0.13 of a standard deviation, which is marginally significant ($p < 0.10$). We see a similar interaction effect for the Group Identity treatment, which increased polarization by 0.15 of a standard deviation ($p < 0.05$). These effects are mostly driven by Democrats who redistribute more in both treatments.

Columns 3 and 4 show whether the treatments affected people's policy views on redistribution. While we do not observe any treatment effects on the more principled

question of whether society should aim to equalize incomes, we do find evidence of polarization on the question of whether income taxes should be increased to reduce inequality. In the Motivated Beliefs treatment, political polarization increases by 0.09 of a standard deviation, but the effect is not statistically significant ($p=0.179$). For the Group Identity treatment, we see a larger and statistically significant increase in polarization. The political interaction effect is 0.14 of a standard deviation ($p<0.05$), which is about equally driven by Democrats becoming more in favor of higher taxes and Republicans becoming less in favor of higher taxes. The effect size correspond to almost one fifth of the Republican–Democrat difference in views on whether to increase taxes to reduce inequality. This result clearly demonstrate that people to some extent form their policy views on redistribute taxation to enhance their political group identity.

Overall, the increased polarization in both equality-efficiency preferences and policy views on redistributive taxation demonstrates that the treatments were successful in priming respondents the expected way. That we do not find political polarization in beliefs could reflect that we had an incentivized belief elicitation which made it costly to distort own beliefs to justify broader attitudes or align beliefs with the political in-group view (Bullock, Gerber, Hill, and Huber, 2015).

5 Conclusion

In this paper, we provide evidence on the role of beliefs about behavioral responses to taxation and equality-efficiency preferences in driving people’s demand for redistribution. We find no evidence of systematic differences in beliefs about incentive costs between Republicans, but we do find strong evidence of systematic differences in equality-efficiency preferences. Furthermore, while equality-efficiency preferences are strongly associated with views on redistributive taxation, beliefs about incentive costs are only associated with these views for Democrats.

Overall, our results suggest that equality-efficiency preferences are more important than beliefs about incentive costs for understanding political disagreements about redistribution. This is not to say that Democrats and Republicans necessarily have identical beliefs about all aspects relevant for this debate. In particular, beliefs that interact with people’s perceptions of fairness—such as trust in business elites—may also be instrumental to understand why voters have conflicting views on redistribution

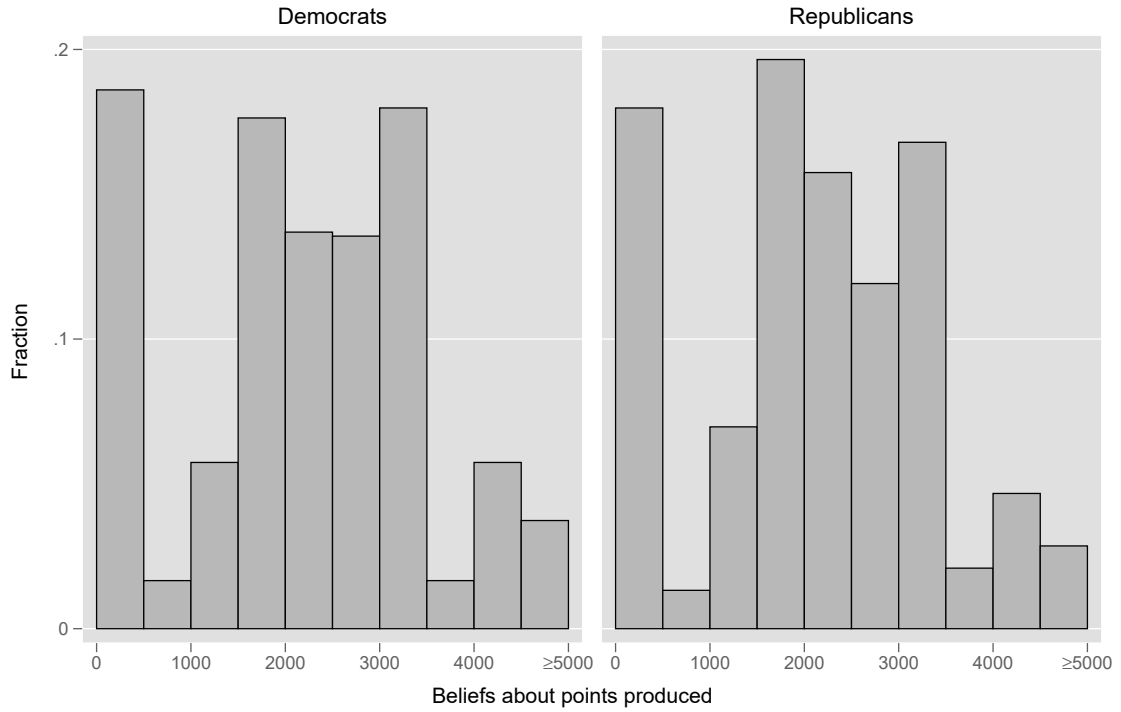
(Di Tella et al., 2017). To further advance our understanding of the political economy of redistribution, future research should continue to explore interactions between beliefs and perceptions of fairness.

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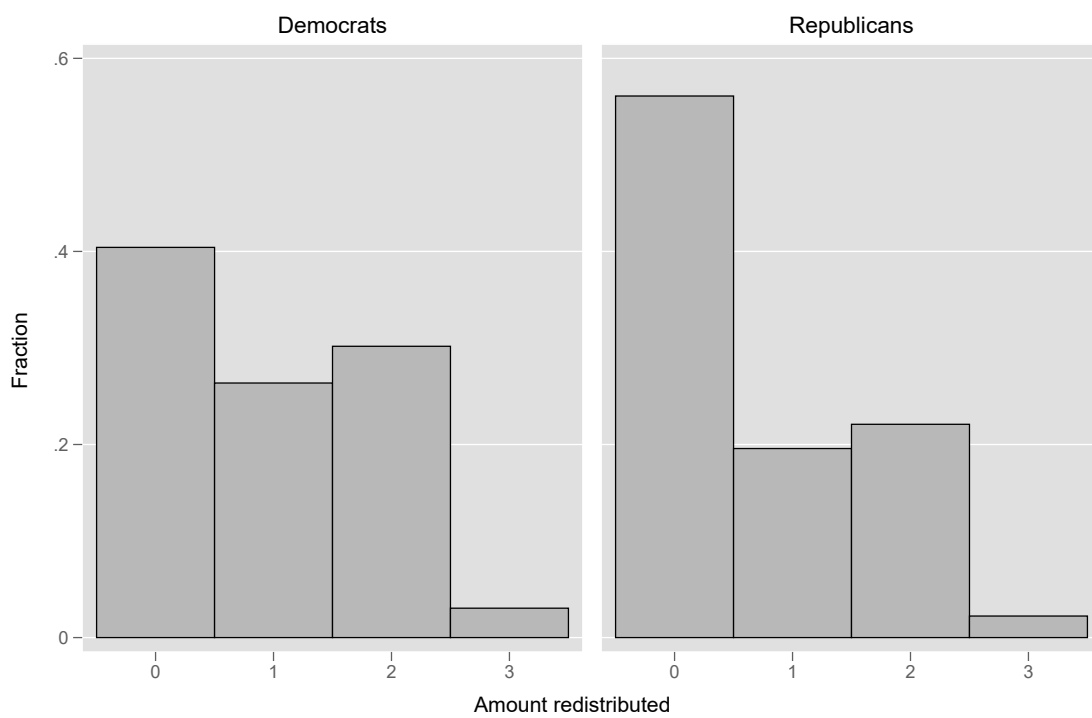
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Figure 1: Distribution of beliefs about behavioral responses to taxation



Notes: The figure shows the distribution of beliefs about points produced for respondents in the Government Tax treatment, by political affiliation.

Figure 2: Distribution of equality-efficiency preferences



Notes: The figure shows the distribution of amounts distributed for respondents in the Government Tax treatment, by political affiliation.

Table 1: Views on redistribution – beliefs or preferences?

	Should aim to equalize incomes in society			Should increase taxes to reduce inequality		
	(1) Full sample	(2) Democrats	(3) Republicans	(4) Full sample	(5) Democrats	(6) Republicans
Beliefs	0.00 (0.02)	0.02 (0.02)	-0.02 (0.03)	0.07*** (0.02)	0.13*** (0.04)	-0.01 (0.03)
Preferences	0.17*** (0.02)	0.13*** (0.02)	0.21*** (0.03)	0.10*** (0.02)	0.07* (0.04)	0.14*** (0.03)
N	2880	1445	1435	1508	744	764
R-sq	0.207	0.054	0.127	0.193	0.072	0.092
Controls	Yes	Yes	Yes	Yes	Yes	Yes

Notes: *Beliefs* refers to beliefs about behavioral responses to taxation (points produced in the Government Tax treatment) and *Preferences* refers to amount redistributed. All variables have been z-scored. Controls were pre-specified and include race, gender, income, household size, employment, and education.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Robust standard errors in parentheses.

Table 2: Dependent variable: Beliefs about change in production

	(1)	(2)	(3)	(4)
Low Pay	4.68*** (1.56)	4.37*** (1.55)	5.03** (2.23)	4.76** (2.20)
Redistributive Tax	7.30*** (1.70)	7.14*** (1.70)	6.28*** (2.40)	6.36*** (2.38)
Republicans		-0.52 (1.33)	-0.42 (2.37)	-0.78 (2.38)
Low Pay × Republicans			-0.73 (3.12)	-0.81 (3.10)
Redistributive Tax × Republicans			2.10 (3.41)	1.60 (3.40)
Constant	-33.53*** (1.18)	-49.89*** (3.58)	-33.33*** (1.69)	-49.74*** (3.74)
N	4129	4128	4129	4128
R-sq	0.005	0.019	0.005	0.020
Controls	No	Yes	No	Yes

Notes: Controls were pre-specified and include race, gender, income, household size, employment, and education.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Robust standard errors in parentheses.

Table 3: Treatment effects of political primes

	(1) Beliefs	(2) Preferences	(3) Equalize inc.	(4) Higher taxes
Motivated Beliefs	-5.07** (2.36)	0.08 (0.05)	-0.00 (0.05)	0.05 (0.05)
Group identity	-0.26 (2.35)	0.13** (0.05)	0.00 (0.04)	0.08 (0.05)
Republicans	-3.13 (2.31)	-0.25*** (0.05)	-0.78*** (0.05)	-0.81*** (0.05)
Motivated Beliefs × Republicans	1.28 (3.34)	-0.13* (0.07)	-0.07 (0.07)	-0.09 (0.07)
Group identity × Republicans	0.80 (3.37)	-0.15** (0.07)	-0.07 (0.07)	-0.14** (0.07)
N	4290	4290	4290	4290
R-sq	0.014	0.042	0.209	0.203
Controls	Yes	Yes	Yes	Yes

Notes: *Beliefs* refers to beliefs about behavioral responses to taxation (points produced in the Government Tax treatment); *Preferences* refers to amount redistributed; *Equalize inc.* refers to support for equalization of incomes in society; and *Higher taxes* refers to support for higher income taxes to reduce inequality. Controls were pre-specified and include race, gender, income, household size, employment, and education.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Robust standard errors in parentheses.