Perceptions, Mindsets and Beliefs Shaping Policy Views
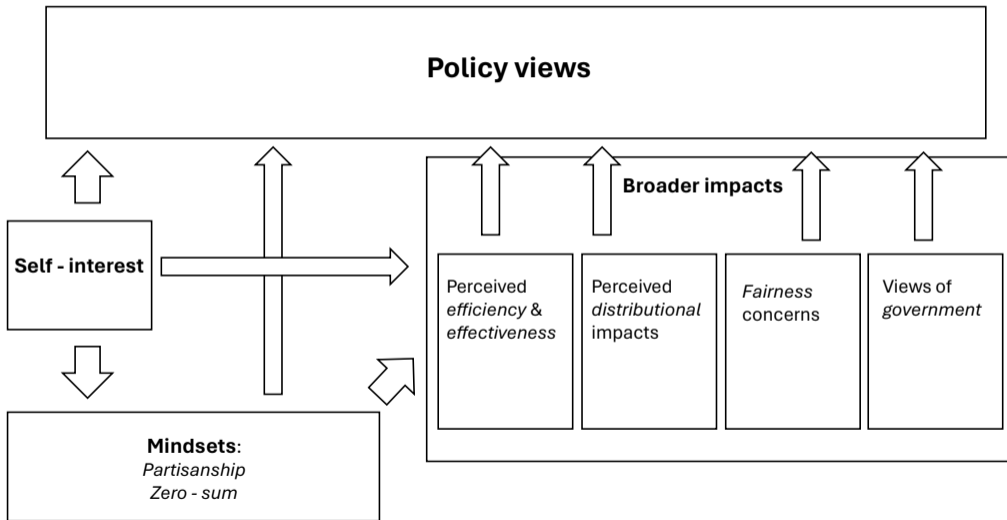
Evidence from Social Economics Surveys and Experiments

Coase Lecture 2024

Stefanie Stantcheva (Harvard)

The Mental Models We Use to Think about Policy

Policy views

Self - interest

Mindsets:
Partisanship
Zero - sum

Broader impacts

Perceived *efficiency* & *effectiveness*

Perceived *distributional* impacts

Fairness concerns

Views of *government*

2127

Social Economics Surveys and Experiments

Surveys have been used for a long time for measurement & statistics, replaced by high-quality admin data.

Yet, **some things remain invisible** in data other than survey data (even great data!): **perceptions, attitudes and beliefs, knowledge, and reasoning.**

Revealed preference approach can be challenging due to lack of data and identifying variation.

Surveys are more than a measurement tool. Control of data generating process. **"Creating your own identifying variation and uncovering the invisible."**
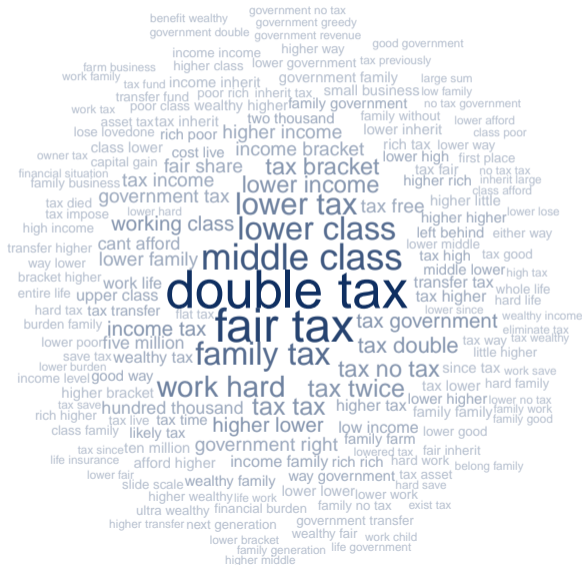
For the results to be reliable, it is critical that these surveys are well-designed, carefully calibrated, and deployed on appropriate samples.

1. Tax Policy

Based on *"Understanding Tax Policy: How do People Reason"* by Stefanie Stantcheva
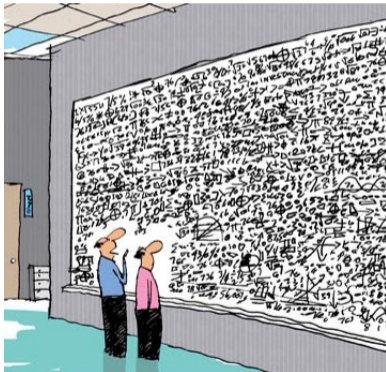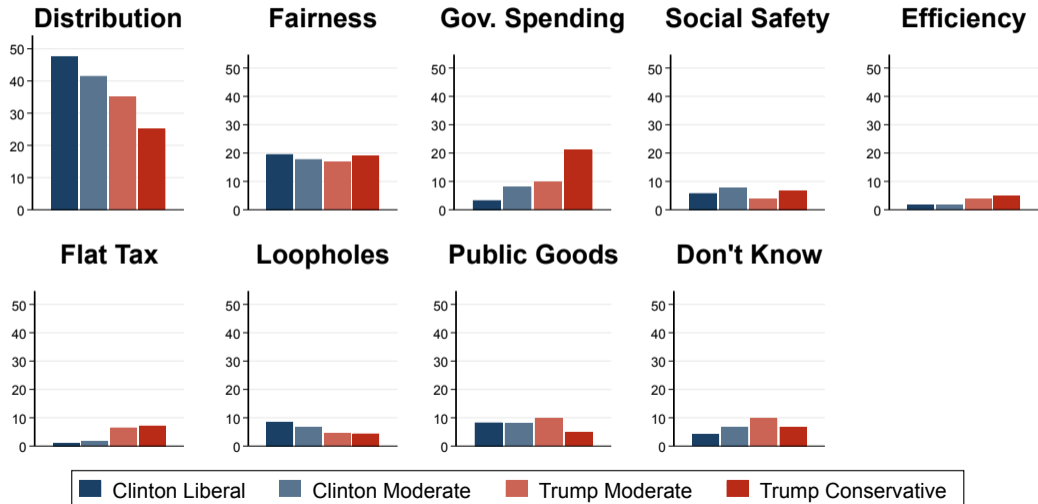
What are your Main Considerations about the U.S. Federal Estate Tax?

What are your Main Considerations about the Income Tax?
Relative Frequency of Topics by Political Views

Summary: People Reason very Differently about Tax Policy

On the left:

Efficiency: taxes have small econ. costs.

Distribution: Raising taxes to increase revenues helps many; no "trickle down"

Government: should have broad scope, more trusted as an institution.

"Reality": taxes are lower & less progressive, inequality is higher

Fairness: Inequality is mostly unfair; "luck" important for being rich or poor.

On the right:

Efficiency: taxes have larger econ. costs.

Distribution: Raising taxes hurts most; believe in trickle-down.

Government: should have narrow scope, less trusted as an institution.

"Reality:" taxes are higher & more progressive, inequality is lower.

Fairness: Inequality is fair; people rich or poor because of "effort"

Fairness concerns are most predictive of policy support

On the left:

Efficiency: taxes have small econ. costs.

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"Reality:" taxes are higher & more progressive, inequality is lower.

Fairness: Inequality is fair; people rich or poor because of "effort"

8127

Fairness Concerns for Income and Estate Taxes

Fundamental disagreement on whether income inequality is a serious issue (25% of Republicans; 75% of Democrats) or whether high-incomes entitled to keep large share of their income (8% of Democrats; 55% of Republicans), whether wealth inequality is a serious issue (18% of Republicans; 65% of Democrats).

Estate tax poses thorny fairness issues depending on whether take children or parents' perspective.

If take point of view of **children**: Many agree unfair children have access to better amenities if born in rich families and, to a lesser extent, that unfair children born in wealthier families inherit more.

Still, partisan gap is large.

But if we focus on trade-off between **parents** being entitled to pass on their wealth versus children being entitled to start with equal opportunities, views quite split even within political views.

50% of Democrats think fair to allow parents to pass on wealth; 70% of Republicans.

9127

2. Climate Policy

Based on *"Fighting Climate Change: International Attitudes toward Climate Policies"*

by Antoine Dechezleprêtre, Adrien Fabre, Tobias Kruse, Bluebery Planterose, Ana Sanchez Chico, and Stefanie Stantcheva

An international survey in 20 countries

Large-scale, cross-country survey with $+40,000$ respondents in 20 middle- and high-income countries.

72% of global CO_2 emissions, 18/21 largest emitters.[1]

Country coverage
- High-income
- Middle-income

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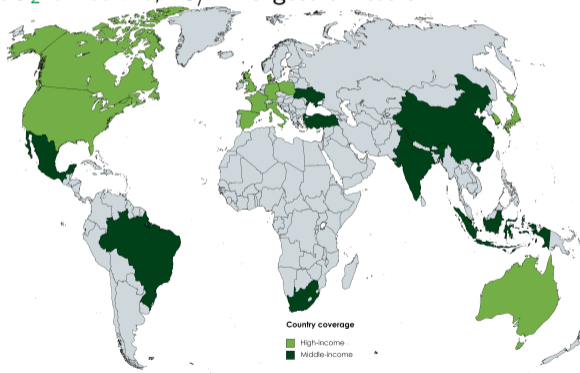
[1] The three missing countries are Russia, Iran, and Saudi Arabia.

Share of respondents who agree (somewhat to strongly) that "Climate change is an important problem" or their country "should take measures to fight climate change"

Questionnaire

| **Background of respondent** |
| Socio-economic characteristics, political views, energy use, consumption habits |

↓

| **Video information treatment** |

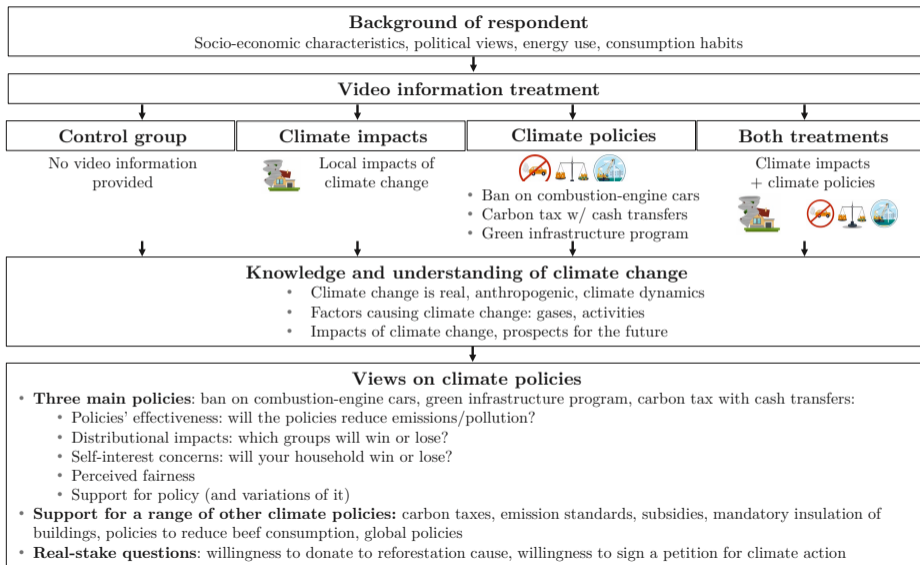| **Control group** | **Climate impacts** | **Climate policies** | **Both treatments** |
| No video information provided | Local impacts of climate change | • Ban on combustion-engine cars • Carbon tax w/ cash transfers • Green infrastructure program | Climate impacts + climate policies |

↓

| **Knowledge and understanding of climate change** |
| • Climate change is real, anthropogenic, climate dynamics • Factors causing climate change: gases, activities • Impacts of climate change, prospects for the future |

↓

| **Views on climate policies** |
| • **Three main policies**: ban on combustion-engine cars, green infrastructure program, carbon tax with cash transfers: • Policies' effectiveness: will the policies reduce emissions/pollution? • Distributional impacts: which groups will win or lose? • Self-interest concerns: will your household win or lose? • Perceived fairness • Support for policy (and variations of it) • **Support for a range of other climate policies:** carbon taxes, emission standards, subsidies, mandatory insulation of buildings, policies to reduce beef consumption, global policies • **Real-stake questions**: willingness to donate to reforestation cause, willingness to sign a petition for climate action |

What explains support for climate action?

1. **Self-interest:** the policy will not financially hurt my household. ▸ Regression results

2. **Effectiveness belief:** the policy is helpful in reducing emissions.

3. **Equity concern:** the policy will not disproportionately hurt lower-income or vulnerable households.

Not very predictive: Knowledge about climate change or concerns about climate change. ▸ Details

Share of respondents who support climate change policies

Policy	High-income	Australia	Canada	Denmark	France	Germany	Italy	Japan	Poland	South Korea	Spain	United Kingdom	United States	Middle-income	Brazil	China	India	Indonesia	Mexico	South Africa	Turkey	Ukraine
Main Policies Studied																						
Green infrastructure program	57	49	56	53	57	42	78	48	58	68	71	54	50	78	77	82	80	80	84	73	76	69
Ban on combustion-engine cars	43	35	47	41	28	32	54	41	44	52	54	45	39	65	60	72	77	65	67	53	62	58
Carbon tax with cash transfers	37	34	41	30	29	28	47	35	36	53	44	34	33	59	47	80	71	67	55	52	55	39
Transportation Policies																						
Ban on polluting cars in city centers	60	53	60	66	57	50	76	64	61	52	64	65	49	71	65	73	74	85	72	66	60	67
Ban on combustion-engine vehicles w. alternatives available	48	38	47	42	42	41	58	51	48	58	57	52	44	68	60	78	77	72	66	62	64	63
Tax on flying (+20%)	45	35	44	60	46	53	41	47	44	42	44	46	33	52	39	61	64	68	51	43	45	36
Energy Policies																						
Subsidies to low-carbon technologies	67	62	65	67	56	64	79	69	75	71	73	65	57	73	77	75	68	79	66	75	75	68
Mandatory and subsidized insulation of buildings	66	70	64	70	64	60	73	59	72	72	71	70	53	75	80					73	75	75
Funding clean energy in low-income countries	54	49	50	53	48	48	76	53	55	57	65	51	50	73	63	71	75	81	74	76	66	78
Tax on fossil fuels ($45/tCO2)	36	36	40	43	31	31	38	35	27	42	39	38	34	48	35	58	64	58	41	38	52	28
Food Policies																						
Subsidies on organic and local vegetables	56	42	50	59	52	56	71	46	73	62	65	49	43	68	62	79		77	58	59	80	58
Ban of intensive cattle farming	42	32	41	31	55	49	64	17	44	44	43	50	36	39	38	50		45	46	28	32	25
Removal of subsidies for cattle farming	34	31	33	32	28	38	42	16	34	31	42	37	38	39	43	47		51	47	27	31	22
A high tax on cattle products, doubling beef prices	30	24	27	31	29	40	37	19	30	26	31	31	31	36	33	48		49	37	30	26	24
Support for Carbon Tax With:																						
Funding environmental infrastructures	63	60	48	60	65	60	76	56	68	78	69	63	56	75	78	76	71	81	73	79	73	69
Subsidies to low-carbon tech.	63	58	49	52	57	66	76	68	71	79	69	59	53	73	74	79	68	79	71	78	66	65
Reduction in personal income taxes	57	52	48	38	62	54	72	64	69	62	67	52	49	69	69	74	68	74	69	68	66	64
Cash transfers to the poorest households	53	51	48	41	55	47	68	54	50	59	63	57	46	64	59	67	82	69	86	66	65	82
Cash transfers to constrained households	50	50	42	36	55	47	62	47	39	62	61	52	44	64	59	67	60	67	61	50	60	42
Tax rebates for the most affected firms	48	41	41	38	52	34	66	49	61	59	55	41	43	62	59	72	65	68	54	63	55	56
Reduction in the public deficit	48	40	39	34	49	39	66	50	56	48	62	44	48	63	62	72	65	70	61	62	57	52
Progressive transfers	47	40	54			45	66	56	40	44	40	43		58	64	84	67	61	44	45	51	49
Equal cash transfers to all households	38	37	38	27	45	31	42	43	37	42	44	33	38	61	45	70	64	76	62	57	59	53
Reduction in corporate income taxes	37	29	32	24	37	25	55	38	48	48	50	26	29	58	54	67	60	67	61	50	60	42

High support for subsidies for low-carbon tech & infrastructure

	High-income	Australia	Canada	Denmark	France	Germany	Italy	Japan	Poland	South Korea	Spain	United Kingdom	United States	Middle-income	Brazil	China	India	Indonesia	Mexico	South Africa	Turkey	Ukraine
Main Policies Studied																						
Green infrastructure program	57	49	56	53	57	42	78	48	58	68	71	54	50	78	77	82	80	80	84	73	76	69
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Carbon tax with cash transfers	37	34	41	30	29	28	47	35	36	53	44	34	33	59	47	80	71	67	55	52	55	39
Transportation Policies																						
Ban on polluting cars in city centers	60	53	60	66	57	50	76	64	61	52	64	65	49	71	65	73	74	85	72	66	60	67
Ban on combustion-engine vehicles w. alternatives available	48	38	47	42	42	41	58	51	48	58	57	52	44	68	60	78	77	72	66	62	64	63
Tax on flying (+20%)	45	35	44	60	46	53	41	47	44	42	44	46	33	52	39	61	64	68	51	43	45	36
Energy Policies																						
Subsidies to low-carbon technologies	67	62	65	67	56	64	79	69	75	71	73	65	57	73	77	75	68	79	66	75	75	68
Mandatory and subsidized insulation of buildings	66	70	64	70	64	60	73	59	72	72	71	70	53	75		80				73	75	75
Funding clean energy in low-income countries	54	49	50	53	48	48	76	53	55	57	65	51	50	73	63	71	75	81	74	76	66	78
Tax on fossil fuels ($45/tCO2)	36	36	40	43	31	31	38	35	27	42	39	38	34	48	35	58	64	58	41	38	52	28
Food Policies																						
Subsidies on organic and local vegetables	56	42	50	59	52	56	71	46	73	62	65	49	43	68	62	79		77	58	59	80	58
Ban of intensive cattle farming	42	32	41	31	55	49	64	17	44	44	43	50	36	39	38	50		45	46	28	32	25
Removal of subsidies for cattle farming	34	31	33	32	28	38	42	16	34	31	42	37	38	39	43	47		51	47	27	31	22
A high tax on cattle products, doubling beef prices	30	24	27	31	29	40	37	19	30	26	31	31	31	36	33	48		49	37	30	26	24
Support for Carbon Tax With:																						
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Reduction in personal income taxes	57	52	48	38	62	54	72	64	69	62	67	52	49	69	69	74	68	74	69	68	66	64
Cash transfers to the poorest households	53	51	48	41	55	47	68	54	50	59	63	57	46	73	67	82	69	86	66	65	82	62
Cash transfers to constrained households	50	50	42	36	55	47	62	47	39	62	61	52	44	64	59	69	63	74	59	60	65	61
Tax rebates for the most affected firms	48	41	41	38	52	34	66	49	61	59	55	41	43	62	59	72	65	68	54	63	55	56
Reduction in the public deficit	48	40	39	34	49	39	66	50	56	48	62	44	48	63	62	72	65	70	61	62	57	52
Progressive transfers	47	40	54			45	66	56	40	44	40	43		58	64	84	67	61	44	45	51	49
Equal cash transfers to all households	38	37	38	27	45	31	42	43	37	42	44	33	38	61	45	70	64	76	62	57	59	53
Reduction in corporate income taxes	37	29	32	24	37	25	55	38	48	48	50	26	29	58	54	67	60	67	61	50	60	42

Funding for infrastructures

Carbon taxes appear to be least popular at first glance...

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... but use of revenue matters substantially for their support

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Reduction in the public deficit	48	40	39	34	49	39	66	50	56	48	62	44	48	63	62	72	65	70	61	62	48	
Progressive transfers	47	40	54			45	66	56	40	44	40	43		58	64	84	67	61	44	45	51	49
Equal cash transfers to all households	38	37	38	27	45	31	42	43	37	42	44	33	38	61	45	70	64	76	62	57	59	53
Reduction in corporate income taxes	37	29	32	24	37	25	55	38	48	48	50	26	29	58	54	67	60	67	61	50	60	42

Who supports more climate action?

Those whose **lifestyle** allows them to bear the costs and adapt ("Self-interest"):

> i) have access to high-quality public transportation; ii) rely less on a car; iii) have lower gas expenses.

Left-leaning respondents (in all countries).

Those with higher levels of **education**, particularly college degree (even conditional on income).

> Income mostly insignificant.

Age has mixed effects: younger people support more climate action only in FR, AU, and US.

Policy views cannot be explained based on socioeconomic characteristics alone ($R^2 = 0.09$ without country FE; $R^2 = 0.18$ with them).

Interpretation of the treatment effects

Climate impact treatment shifts policy views by only a little.

Increases concern about and understanding of climate change

However, these concerns and knowledge are not strong predictors of support, and the treatment does not shift key mechanisms that matter for policy support (perceived effectiveness, distributional impacts, and impacts on one's household)

Climate policies and combined treatment shift policy views by a lot.

They shift exactly the beliefs that are most predictive of policy support: perceived impacts on oneself and others and the effectiveness of policies.

Also has an effect on to related policies.

$\Rightarrow$ **Explaining how each policy works and who benefits (or how losers can be compensated)** is critical to fostering policy support. Simply making people more concerned is not effective.

3. Policies to Fight Inflation

Based on *"People's Understanding of Inflation"*

by Alberto Binetti, Francesco Nuzzi, and Stefanie Stantcheva

Perceived causes of inflation: Partisan Gaps

Increases in the costs of production
Actions by firms and businesses
Households spending more
Politicians and political interests
Changes in the labor market
Action by the Federal Reserve
Government spending, debt, and taxation

0   20   40   60   80   100

● Democrat   ● Republican

13|27
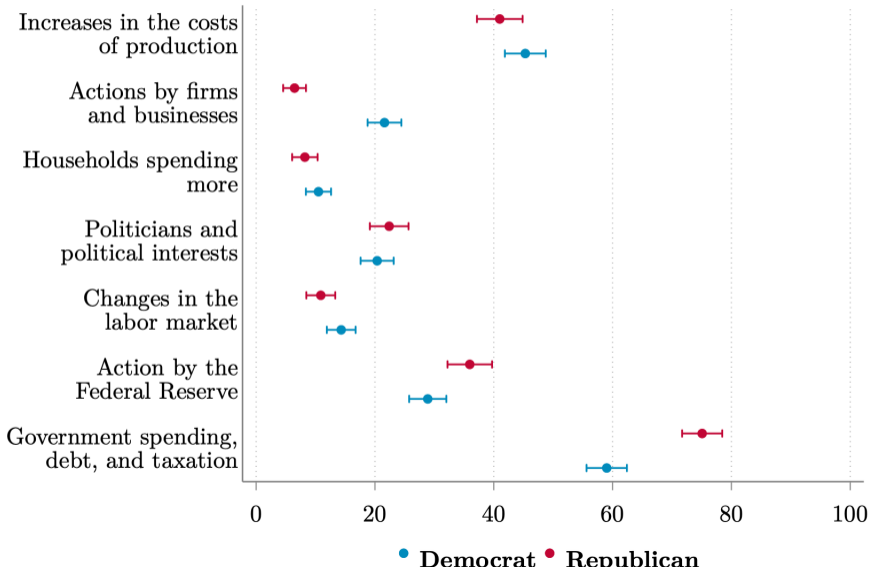
Perceived consequences of inflation

Political & social costs

Decrease trust in government
Decreases social cohesion
Increases inequality
Decreases national prestige

Efficiency & economic costs

Decreases value of the dollar
Slows down GDP growth
Increases resource misallocation
Makes firms decisions more difficult
Makes setting prices harder
Forces households to have cash

Cognitive costs

Increases hh uncertainty
Makes hh decisions more complicated

0   10   20   30   40

● Democrat ● Republican

14|27

Preferences over inflation and unemployment from a conjoint experiment
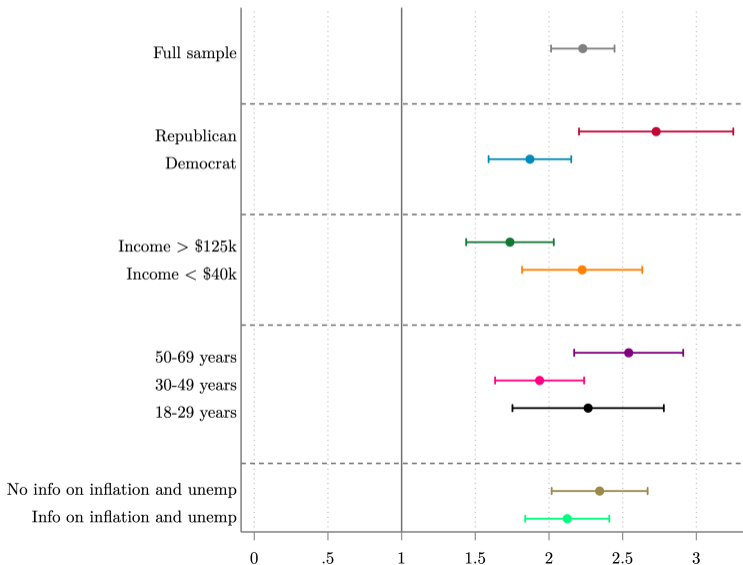
Do people perceived any trade-offs related to inflation?
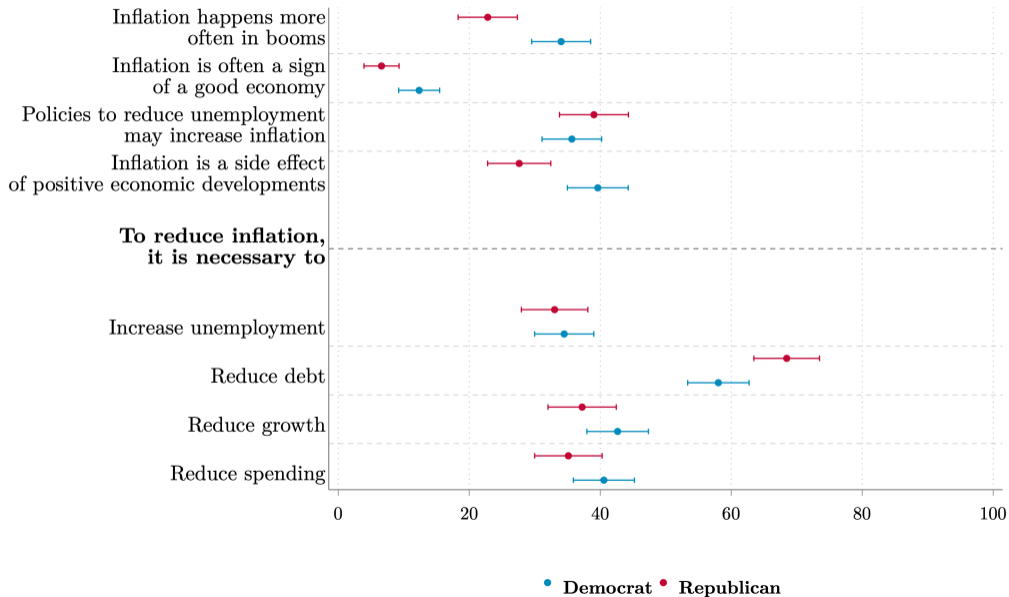
Policy views: Monetary, Fiscal, and Other Policies

Monetary policy
Increase interest rate
Decrease interest rate
Decrease money supply
Announce future plans for interest rate

Reductions in government debt financed by
Increasing taxes on high income
Increasing taxes on high and middle income
Reducing spending on social programs

Other policies
Tighten antitrust regulation
Increase taxes on high income to fund transfers
Increase corporate taxes
Freeze prices of essentials
Regulate wage growth
Restrict imports

0   20   40   60   80

● Democrat   ● Republican

17127

Policies to combat redistributive consequences of inflation

• **Democrat** • **Republican**
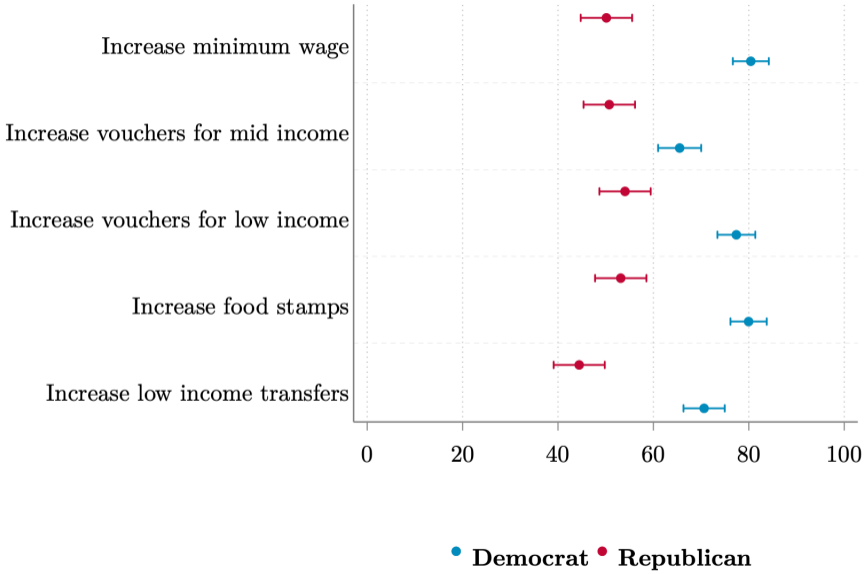
4. Trade Policy

Based on *"Understanding of Trade"*

by Stefanie Stantcheva

The Factors Shaping Views on Trade Policy
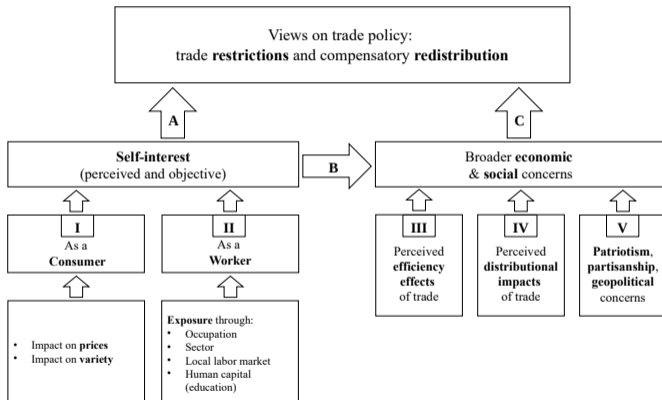
Finding 1: Perceived job risks matter more for policy views than potential consumer gains.

Research has highlighted the diffuse consumer gains and concentrated job losses from trade. I directly show the impact of these two considerations on policy views.

Respondents perceive **consumer gains from trade to be vague and diffuse.**

46% believe trade has decreased prices of goods they buy/60% prices of goods sold in the US.

2/3 believe trade increases variety of goods purchased;

Minority of respondents feels directly **threatened by trade via their job** (20-30%) but this exposure is pivotal for their views on trade.

Priming people to think about gains as consumers does not change trade policy views; priming them to think about job threats does.

⇒ **perceived job risks matter more than potential consumer gains.**

Finding 2: Efficiency versus equity concerns and the importance of compensatory redistribution

People care about the broader efficiency gains and adverse distributional consequences from trade beyond their own material self-interest.

Many respondents believe in positive efficiency gains in the form of higher competitiveness, innovation, and growth.

Respondents also **understand that trade can have adverse distributional consequences.**

Agreement on some of the winners from trade, namely large companies and high-income households.

More pessimism and disagreement on how trade benefits workers, people with low incomes, and the middle class and how it shapes inequality and unemployment.

Finding 2: Compensatory redistribution is crucial

Belief that is most predictive of support for open trade is that trade generates a variety of efficiency gains.

People who believe that those hurt by trade can be helped using other tools (i.e., compensatory redistribution) do not oppose free trade, even if they are convinced that it will entail adverse distributional consequences. **Instead, they support more redistribution.**

Findings highlight that **the two facets of trade policy (trade barriers & compensatory policies) are driven by different considerations and are indissociable in people's minds.**

    Need to provide such redistribution and ensure citizens understand it if support for free trade is to be maintained.

Finding 3: The indirect and direct effects of exposure to trade

Respondents' trade-related experiences, as captured by their subjective and objective exposures through their work (their sector, occupation, and local labor market), are significantly correlated with their support for trade restrictions.

In fact, personal exposure shapes not only respondents' assessment of how trade affects them but also their perceptions of the broader efficiency and distributional impacts of trade on others and the US.

Both the direct and the indirect effects are important.

A decomposition shows that **the indirect effect is 30-60%**.

Mindsets: a Lens through which we see the world

24127
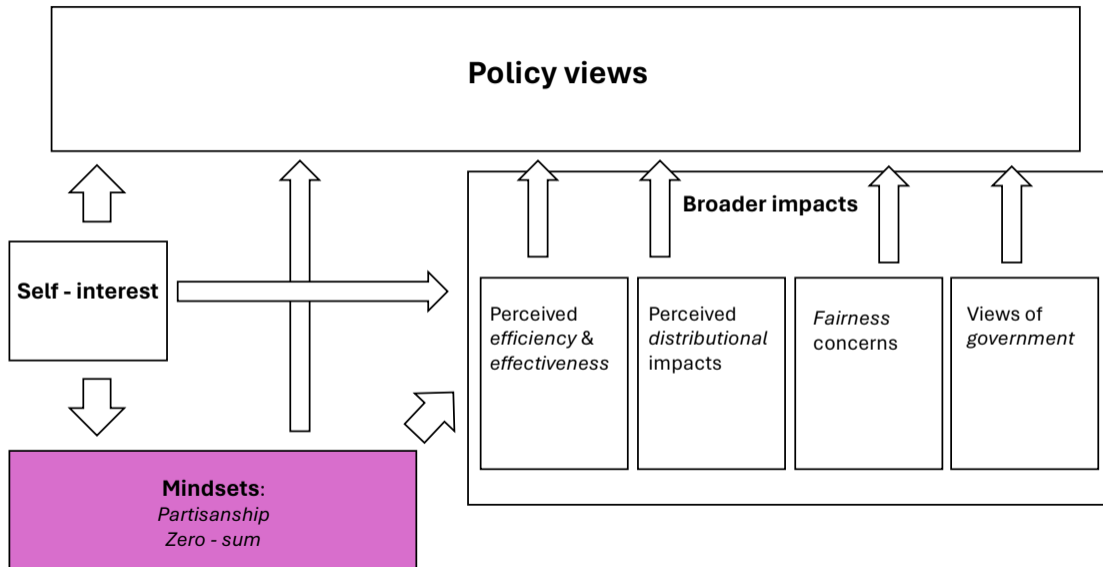
5. Zero-Sum Thinking

Based on *"Zero-Sum Thinking and the Roots of US Political Divides"*

by Sahil Chinoy, Nathan Nunn, Sandra Sequeira, and Stefanie Stantcheva
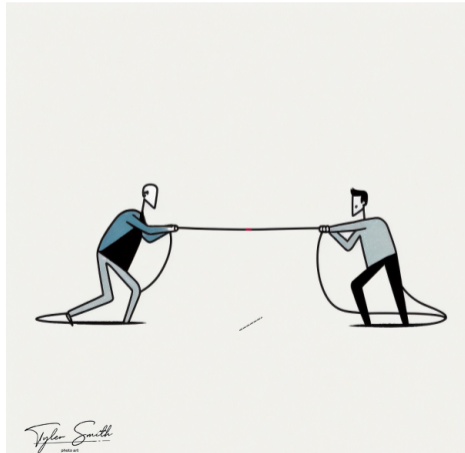
Variation in zero-sum perceptions in the U.S.

Forbes

Jan 18, 2017, 09:05am EST

Extreme Wealth Does Not Cause Extreme Poverty

Jeffrey Dorfman Former Contributor ⓘ
Policy
I use economic insight to analyze issues and critique policy.

ⓘ This article is more than 4 years old.

TWEET THIS
🐦 inequality does not cause poverty.
🐦 Capitalism has resulted in much more economic inequality in China, but much less poverty.

Remembering Steve Jobs: A Visionary Leader Who Changed The World

10 Ways Bill Gates Is Saving The World

EVERY BILLIONAIRE IS A POLICY FAILURE

RECORD PROFITS ARE UNPAID WAGES

Measuring zero-sum thinking

Elicit beliefs in zero-sum relations between following groups:

1. **[Between ethnic groups]** "In the United States, there are many different **ethnic groups** (Blacks, Whites, Asians, Hispanics, etc). If one ethnic group becomes richer, this generally comes at the expense of other groups in the country."

2. **[Between immigrants & non-immigrants]** "In the United States, there are those with **American citizenship** and those without. If those without American citizenship do better economically, this will generally come at the expense of American citizens."

3. **[Between countries]** "In international trade, if one **country** makes more money, then it is generally the case that the other country makes less money."

4. **[Between income groups]** "In the United States, there are many different **income classes**. If one group becomes wealthier, it is usually the case that this comes at the expense of other groups."

1 = strongly disagree, 2 = disagree, 3 = neither, 4 = agree, 5 = strongly agree.
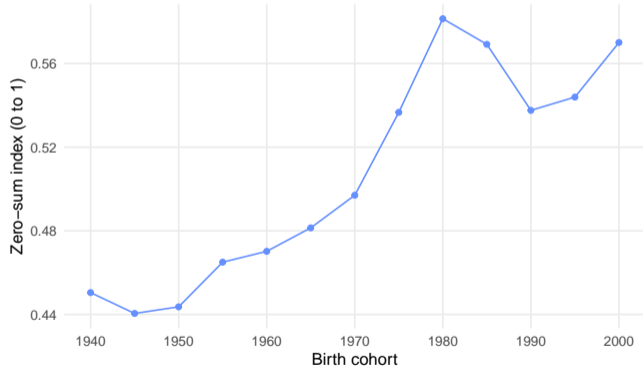
ZS and economic characteristics
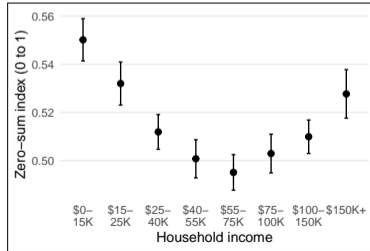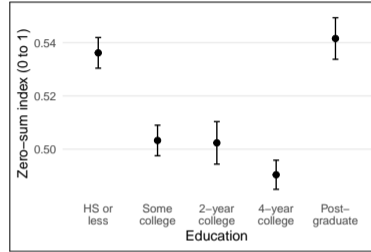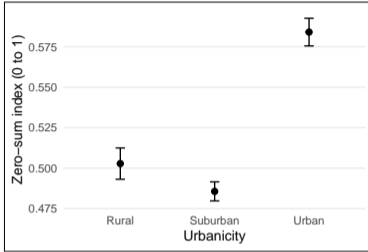
Zero-sum thinking and political leaning

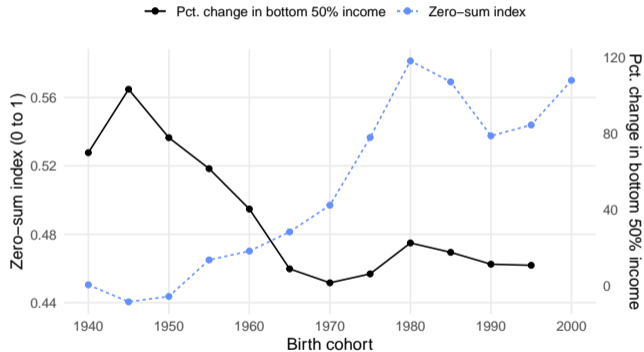## Zero-sum thinking is not mainly a partisan issue
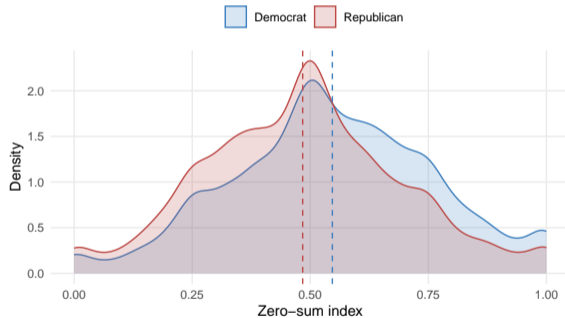
Zero-sum thinking by cohort:
Younger generations are more zero-sum

Zero-sum and income growth (bottom 50% of the U.S.) during first 20 years of life

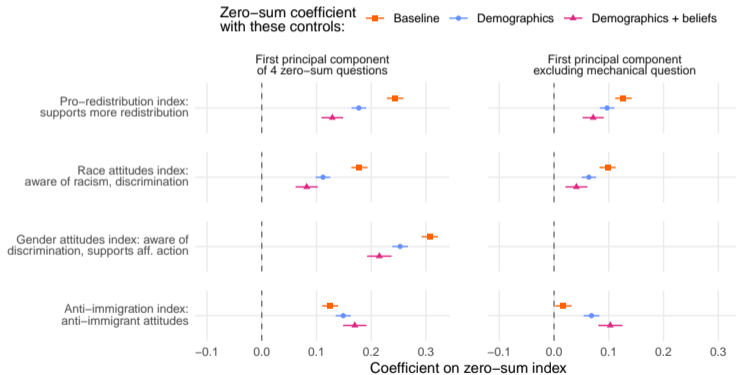This generalizes to other countries in the WVS: it's a cohort, not an age effect. WVS

Zero-sum thinking and policy views
Conceptual link: Three main channels

1. **Externality correction:** ZS interaction means one group imposes a negative externality on another $\Rightarrow$ policy should correct this (Piketty, Saez, and Stantcheva, 2014).

2. **Procedural fairness concern:** People care about the process through which income/wealth are achieved, specifically whether they came at the expense of others (Saez and Stantcheva, 2016).
   - 1. and 2. might depend on whether the "advantaged" group (e.g., higher-incomes) or "disadvantaged" group (e.g., lower-incomes) loses from the ZS interaction.

3. **Self-interest:** People's views may differ depending on whether they are part of the group benefitting or losing from the ZS interaction.

Zero-sum thinking and policy views

Zero-sum thinking correlated with more support for redistribution, policies for gender and racial equity, & restrictive immigration policies.

Determinants of zero-sum thinking in the U.S.

Relevant aspects of the country's history:

1. Economic mobility

2. Immigration

3. Race & enslavement

THANK YOU!

Topic Analysis: Keywords for the Main Topics Identified

Distribution: Middle class; working class; low income; wealthy; millionaire; rich; billionaire; corporations & pay/tax

Fairness: Fair; unfair

Gov. Spending: Government spending & high; government spending & cut; deficit; debt; government & waste; balance & budget; government & budget; government & control & spend

Social safety: Social services; governmental services; governmental program & fund; governmental program & cover; help & poor; pay & poor; social program; poor work; live & paycheck; provide & family

Efficiency: Hurt & economy; work hard; work less; work more; create & job; depress; negative/detrimental/destroy/damage & economy; competition; innovation; create & business; boost & economy; discourage; spend less

Flat tax: Flat tax

Loopholes: Loopholes; lawyer; account; tax evasion; evade; avoid taxes

Public goods: Infrastucture; education; healthcare

Don't know: Not know; knowledgeable enough; idk; not sure; know enough; unsure

Double Tax: Already taxed/paid; twice & tax/pay

Grieve: Grieve; bury; funeral