Perceptions, Mindsets and Beliefs Shaping Policy views 2024 Economica-Coase Lecture

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Abstract

In this lecture, I investigate how perceptions, mindsets, and beliefs influence public attitudes toward economic policies, building on existing research. I introduce a conceptual framework that highlights the roles of self-interest, broader societal impacts, and cognitive mindsets—such as zero-sum thinking and partisanship—in shaping policy preferences. Using evidence from large-scale social economics surveys, I explore four policy areas– taxation, climate action, inflation management, and trade– and provide evidence on the factors driving policy support.

1 Introduction

This lecture explores the perceptions, mindsets, and beliefs that shape policy preferences, offering insights into how individuals form their views on critical economic issues. It begins with a simple framework to structure our understanding before examining evidence from large-scale surveys on four key policy areas: taxation, climate action, inflation management, and trade.

1.1 A simple conceptual framework

A simple conceptual framework of how perceptions, mindsets, and beliefs influence policy preferences is represented in Figure 1. It illustrates the numerous factors that can shape policy views, as indicated by the arrows.

The first factor depicted on the far left of Figure 1 – and one that comes to mind immediately – is *self-interest*. Individuals inherently concern themselves with their own well-being and that of their families, thereby evaluating policies based on their perceived benefits or costs. While self-interest is a fundamental consideration, it is evident from observation and research that individuals' concerns in many cases extend well beyond personal gain.

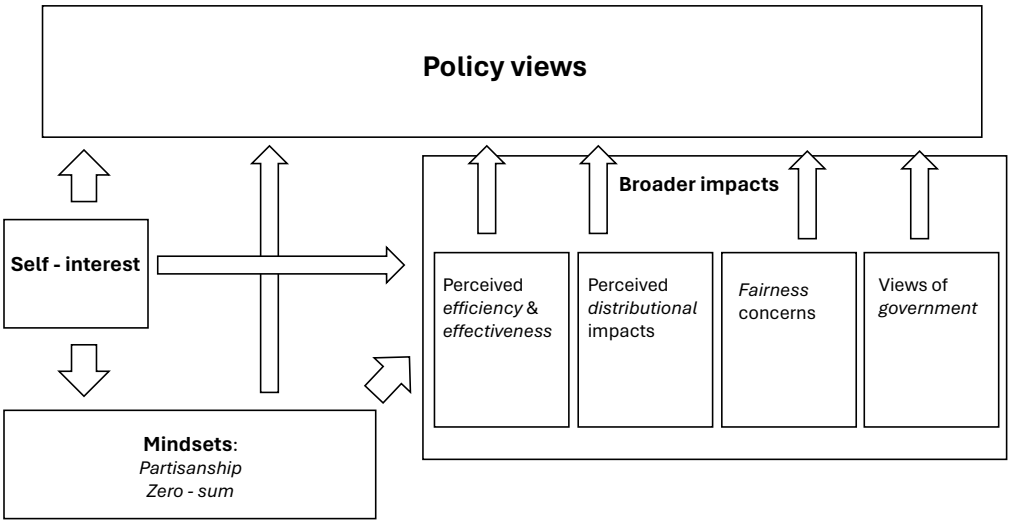
Therefore, on the right side of the framework lies the category labeled *broader impacts*. These encompass aspects that do not directly affect the individual but are nonetheless significant to them. Broadly, this includes the perceived efficiency or effectiveness of a policy, such as its potential impact on the economy. Additionally, individuals may consider the distributional impacts—essentially, determining who benefits and who is disadvantaged by a policy. Diverse fairness concerns also fit in here. They reflect the "weights" that people place on the winners and losers from different policies (as illustrated, e.g., in the social marginal welfare weights studied by Saez and Stantcheva (2016)). Furthermore, individuals' perceptions of the government

itself—regarding its trustworthiness, reliability, and effectiveness—also play a crucial role in shaping policy views.

Located at the bottom left of Figure 1 is the distinct category of *mindsets*. Mindsets serve as a cognitive lens through which individuals interpret information and form judgments. Therefore, they affect all remaining parts of the figure: they not only directly influence policy views but also modulate the perception of broader impacts, including the extent of personal benefit. Conversely, self-interest can influence mindsets and perceptions of broader impacts, thereby shaping the overall worldview. Examples of mindsets are zero-sum thinking and partisanship, which will be a recurrent theme in this lecture.

Throughout this lecture, as we explore various policies, we will continually refer back to these foundational factors, recognizing that each factor may exert varying degrees of influence depending on the policy in question.

FIGURE 1



1.2 Method

The method used to empirically investigate the formation of policy views is social economics surveys, which we conduct at the Harvard Social Economics Lab. Surveys are an invaluable tool to capture perceptions, attitudes, and beliefs that are not readily observable through traditional economic data. When it comes to policy views, our usual revealed preference approaches, which infer preferences from actual behavior, hit their limits. Survey-based methods can then offer more direct insights into the cognitive and emotional factors underpinning policy support.

Most importantly, when designing and administering a survey, researchers have control over the data-generating process and can create their own identifying variation to uncover phenomena that are otherwise invisible (Stantcheva, 2023). Of course, the reliability of survey results hinges on their design and on the quality of the responses and sample. Throughout this lecture and in the papers referenced here, I hope to provide evidence of the rigor and validity of our survey methods.

1.3 Related Literature

In this lecture, I will review five main papers – Stantcheva (2021), Dechezleprêtre et al. (2022), Binetti et al. (2024), Stantcheva (2022), and Chinoy et al. (2023) – that examine people's preferences in four key policy areas – taxation, climate change, inflation, and trade, respectively– and on zero-sum thinking. Let me start by briefly summarizing the related literature on these topics.

Stantcheva (2021) fits into the literature on how individuals' perceptions of tax rates and their understanding of tax systems shape their policy preferences. Basic misperceptions about taxes – such as the difference between marginal and average tax rates studied in de Bartolome (1995); Ballard and Gupta (2018); Gideon (2017) – and their incidence —such as misconceptions about who benefits from specific tax cuts (Slemrod, 2006; Bartels, 2005) — emerge as a critical factor, often swaying public support even toward policies that disproportionately favor the wealthy. Political ideology and partisan affiliation also play a prominent role (Blinder and Krueger, 2004). Interestingly, while increasing public awareness of inequality or the mechanics of the tax system might intuitively seem to bolster support for redistributive measures, studies indicate that such information can backfire. For example, Kuziemko et al. (2015) find that greater awareness of inequality can erode trust in government, thereby weakening support for redistribution. However, Sides (2011) shows that framing the estate tax as affecting only a small fraction of households can significantly increase support for it. The literature also underscores the significance of trust in moderating public demand for progressive tax reforms. Higher levels of trust are associated with a reduced appetite for increased taxation on the affluent (Tella and Dubra, 2016).

Dechezleprêtre et al. (2022) contributes to understanding public attitudes toward climate policies by analyzing data across multiple countries and testing the effects of information on these attitudes. Research on public support for climate policies has predominantly focused on carbon taxes, in specific, mostly wealthy, countries (Carattini et al., 2018; Klenert et al., 2018). These studies reveal several important factors shaping public attitudes. Distributional impacts significantly influence support for climate policies, with more progressive policies receiving higher approval (e.g., Maestre-Andrés et al. (2019)). Self-interest is another critical determinant, particularly in opposition to carbon taxes (Brannlund and Persson, 2012; Umit and Schaffer, 2020). The role of information in shaping public opinion on climate change is also well-documented (e.g., Carattini et al. (2017)). Another stream of literature examines climate-friendly behaviors, which have been shown to be strongly influenced by social norms, and beliefs about the actions of others also play an important role in shaping behavior (Mildenberger and Tingley, 2019; Carattini et al., 2019; Bolsen et al., 2014).

Binetti et al. (2024) explores public perceptions of inflation, including its causes, consequences, distributional impacts, and associated trade-offs, drawing on rich theoretical and empirical literature in macroeconomics. Recent studies use surveys to elicit detailed perceptions of inflation, often complemented by experimental methods (e.g., Shiller (1996); van Lelyveld (1999); Easterly and Fischer (2001); Stantcheva (2024)). A key focus is individuals' preferences over inflation and unemployment. Di Tella et al. (2001) found unemployment reduces well-being more than inflation, though conjoint experiments (e.g., Hofstetter and Rosas (2021)) reveal heterogeneity, with lower-income groups prioritizing unemployment. The literature also explores the role of inflation expectations in economic decisions. Reviews (e.g., Weber et al. (2022); D'Acunto et al. (2023)) emphasize heterogeneity in perceptions, linked to varying interpretations of inflation's causes and effects (D'Acunto et al., 2024). Surveys show inflation is widely viewed as negative, complicating household decision-making (Weber et al., 2022).

Stantcheva (2022) contributes to the literature on individuals' attitudes toward trade and identifies the factors that shape their policy preferences. Previous research has linked trade attitudes to labor market exposure, emphasizing the factor endowment and specific factor models (Mayda and Rodrik, 2005; Scheve and Slaughter, 2001). More recently, the literature explored various factors that shape trade attitudes, including personal experiences (Mansfield et al., 2019), broader concerns beyond self-interest, such as outgroup anxiety (Mansfield and Mutz, 2009) and cultural consequences (Margalit, 2012), and concerns about labor market impacts (Walter, 2021). The paper also relates to the literature on experimental evidence on factors influencing trade attitudes. Hiscox (2006) and Rodríguez Chatruc et al. (2021) show that giving respondents information about job losses due to trade decreases their support for free trade. Alfaro et al. (2023) show that informing respondents about job market consequences of trade can also change people's views on trade.

Chinoy et al. (2023) contributes the literature on zero-sum thinking, where individuals perceive one person's gain as inherently linked to another's loss (Meegan, 2010; Johnson et al., 2022). Davidai and Ongis (2019) use survey questions to show that zero-sum attitudes vary depending on the context of the question being asked – e.g., economic, racial, immigration-related, etc. The research highlights that zero-sum thinking significantly affects race and gender relations, with high-status groups, including white people and men, often exhibiting stronger zero-sum beliefs than low-status groups, particularly when they perceive their own group

as being subjected to discrimination (Norton and Sommers, 2011; Wilkins et al., 2015; Stefaniak et al., 2020). Intriguingly, the study revealed that Black respondents displayed notably higher levels of zero-sum thinking compared to their white counterparts, a disparity partially attributed to the enduring legacy of slavery and oppression in the United States (Nunn and Wantchekon, 2011; Teso, 2019). This historical link emphasizes the broader trend of ancestral experiences shaping the beliefs and attitudes of subsequent generations on a variety of domains (e.g. Luttmer and Singhal (2011)). Evidence supporting this transmission can be found in the descendants of immigrants in both the United States and Europe as the values that migrants bring with them can influence the beliefs of those around them (Dippel and Heblich, 2021; Bazzi et al., 2023b,a). A contribution is to directly measure ancestral experiences to capture the transmission of effects across generations, instead of relying on proxies like ethnicity or location to trace cultural transmission.

2 Tax Policy

The first policy that I want to focus on is tax policy, specifically income and estate taxation. Tax policy is a cornerstone of economic governance, shaping the distribution of resources and the overall economic environment. By determining how revenue is raised and allocated, it influences both public investment and individual behavior, affecting everything from infrastructure development to income inequality. Sound tax policy is essential for fostering economic stability, ensuring social equity, and promoting sustainable growth.

2.1 Overview

Thinking back to our framework, tax policy views can be influenced by a range of factors, including behavioral and efficiency impacts, distributional effects, and normative beliefs about justice and fairness.

For example, views on income taxes might differ based on how people perceive the effects on work incentives ("Will people work less if taxes increase?"), fairness ("Who benefits from tax cuts?"), and the government's trustworthiness and efficiency ("Will tax revenue be wasted or invested wisely?"). Misconceptions or misunderstandings of the tax system may also contribute to these differences, and demographic factors like political affiliation, income, education, and gender play a role in shaping individuals' primary considerations. In Stantcheva (2021), I investigate how people form opinions about tax policies and the reasons behind the stark differences in views. I assess what people know about tax policies, how they reason through their implications, and the trade-offs they consider when evaluating these policies.

I leverage two large-scale social economics surveys and experiments with representative U.S. samples. The surveys examine factors such as perceived efficiency costs, distributional impacts, social preferences, fairness concerns, and trust in government, which correlate with respondents' policy views. To determine causal influences, I experimentally expose participants to instructional videos explaining income and estate tax policies from three perspectives: Redistribution, Efficiency, and Economist. The Redistribution perspective highlights who gains or loses, the Efficiency perspective focuses on economic costs, and the Economist perspective combines both views, aiming to improve understanding of the trade-offs.

The analysis reveals two primary findings. First, there is a pronounced partisan divide, not only in final policy preferences but at every stage of reasoning. Democrats and Republicans differ in their perceptions of the tax system, with left-leaning respondents generally viewing taxes as lower and less progressive. Both groups see high-income earners as more sensitive to tax changes than the middle class, though Republicans believe tax increases more strongly reduce entrepreneurship and labor supply, while Democrats are more skeptical of these effects. Regarding estate taxes, most respondents think wealthy individuals respond significantly to tax changes. Partisan disagreement is especially sharp on questions such as whether income and estate tax cuts lead to "trickle-down" benefits or "Laffer" effects that boost overall tax revenue.

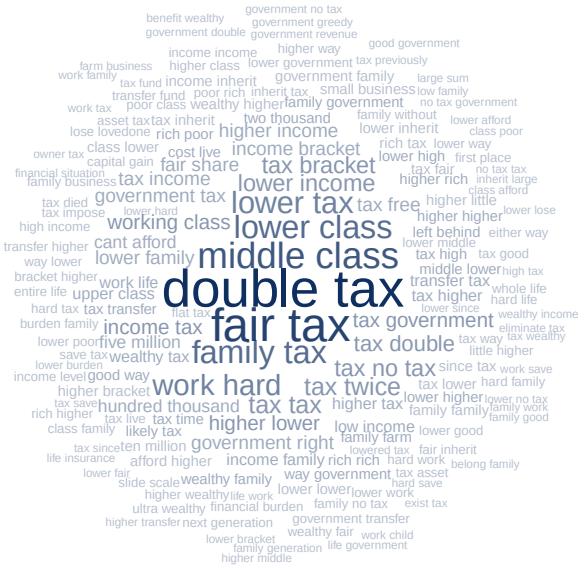
Second, a Gelbach decomposition analysis shows that social preferences, particularly beliefs about redistribution and fairness, are critical drivers of tax policy views. Factors like perceived benefits of redistribution, fairness judgments on wealth transmission, and trust in government are especially influential and explain much of the partisan gap. Even when people believe taxes might harm the economy, they may still support progressive taxes if they view inequality as a serious issue or trust the government. The experimental findings align with these observations, showing that both Redistribution and Economist treatments increase support for progressive taxes, while the Efficiency treatment alone has little effect.

The following sections dive into some specific results from this paper.

2.2 What do people think about when they think about taxes?

A methodological approach that I find particularly effective involves posing broad, open-ended questions to respondents. For example, the question "What are your main considerations about the U.S. federal estate tax?" elicits interesting and informative responses. To summarize common themes, I use a simple word cloud shown in Figure 2.

FIGURE 2: WORD CLOUD OF RESPONDENTS' CONSIDERATIONS ON THE U.S. FEDERAL ESTATE TAX



Notes. The figure shows word clouds based on the text analysis of the open-ended income tax questions. Each panel refers to the open-ended question indicated in the caption. Raw answers are processed by removing *stop* words and the words explicitly used in the text of the questions and all *don't know* answers. Figure copied from Ferrario and Stantcheva (2022).

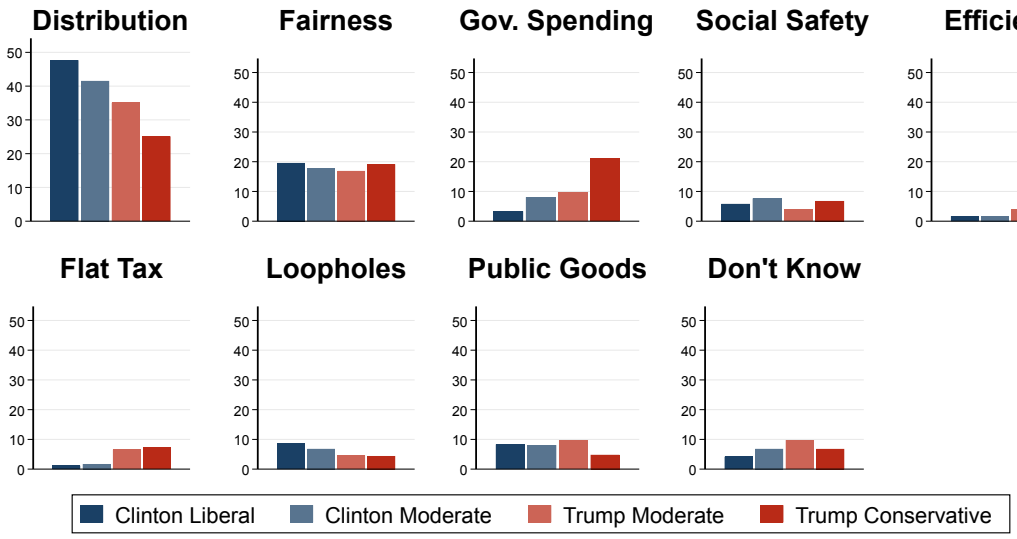
Clearly, a notable concern that emerges is the perception of the federal estate tax as a double taxation mechanism—taxing wealth that has already been subjected to taxation at some point during the deceased individual's lifetime. Additionally, the concept of "fairness" is prominent, predominantly in the direction of "not fair".

Expanding this analysis to the income tax, Figure 3 illustrates a more detailed extraction of thematic topics from responses to the question, "What are your main considerations about the income tax?" Unlike a simple word cloud, this approach categorizes responses based on groups of related keywords. For instance, the *distribution* topic, located in the top-left panel, is characterized by terms such as "millionaires," "billionaires," "rich," "poor," and "inequality." Other identified topics encompass *fairness*, *government spending*, *social safety net*, and *efficiency* concerns. The term "efficiency" itself is rarely mentioned explicitly, but these concerns manifest through phrases like "hurts the economy," "reduces working," and "increases unemployment." Each panel within Figure 3 depicts the prevalence of these topics across various political affiliations. Taking the *distribution* topic as an example, the figure illustrates its representation ranging from Clinton

Liberals (depicted in dark blue, based on 2016 voting patterns) to Trump Conservatives (in dark red).

Several salient patterns emerge from this analysis. First, distributional concerns are significantly more pronounced among respondents identifying with left-leaning political groups; however, they remain the most prevalent concerns across the entire political spectrum. Thus, *fairness* is evenly referenced across political affiliations, but it means different things to different people. Conversely, *efficiency* is scarcely identified as a primary concern, despite it being of course a key concern for economists.

FIGURE 3: DISTRIBUTION OF INCOME TAX CONSIDERATION TOPICS ACROSS POLITICAL GROUPS



Notes. The figure shows results from the topic analysis of open-ended income tax questions. It shows the within political affiliation distribution of the topics. The topics are indicator variables based on a keywords-count model, which equal 1 if respondents mention in their response one of the topic-defining keywords. Keywords: Distribution: *Middle class*, *working class*, *low income*, *wealthy*, *millionaire*, *rich*, *billionaire*, *corporations & pay/tax*. Fairness: *Fair*, *unfair*. Government spending: *Government spending & high government spending & cut*, *deficit*, *debt*, *government & waste*, *balance & budget*, *government & budget*, *government & control & spend*. Social insurance: *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*, *trickle down*, *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: *Infrastructure*, *education*, *healthcare*. Don't know: *Not know*, *knowledgeable enough*, *idk*, *not sure*, *know enough*, *unsure*. Figure copied from Ferrario and Stantcheva (2022).

2.3 Polarized views on tax policy

Individuals' views on tax policy are strongly aligned with their partisan orientations. Essentially, their views on all the factors depicted in Figure 1 are colored by their partisanship. Thus, those on the left tend to perceive taxes as having lower economic costs and are less likely to believe that increased taxation will significantly deter economic activities such as work or entrepreneurship. In contrast, respondents on the right are more inclined to view taxes as imposing substantial efficiency costs, anticipating adverse reactions such as reduced savings, decreased entrepreneurship, and increased migration out of the United States.
Similarly, there is a marked divergence in perceptions of distributional impacts. Individuals on the left generally reject the notion of trickle-down economics, asserting that progressive taxation can effectively address income inequality and promote wealth redistribution. Conversely, those on the right often contend that

such tax policies undermine economic growth and disproportionately burden the wealthy, thereby hindering overall prosperity. Perspectives on government also exhibit partisan divides. Generally, individuals on the left tend to believe that the government should have a broader scope and be more trusted as an institution, whereas the opposite holds for those on the right.

Perhaps most strikingly, there is a partisan gap even regarding the perceptions of "reality." By "reality," I refer to verifiable information such as the top tax rate, taxation on specific groups, current levels of inequality, and how these have changed over time—elements that can be objectively examined. I observe polarization in these areas as well, a phenomenon we termed the "polarization of reality" in Alesina et al. (2020). Thus, individuals on the left are more likely to perceive taxes as lower and less progressive than those on the right. They also tend to believe that inequality is higher. Neither group is necessarily more accurate than the other; accuracy depends on the specific question. What is particularly noteworthy is the consistent gap aligned with partisan expectations.

2.4 Fairness is in the eye of the beholder

The concept of *fairness* plays a pivotal role in shaping tax policy opinions because it emerges as the most significant predictor of policy support. Focusing on the income tax, fairness concerns are relatively straightforward. The fundamental disagreement centers on whether income inequality is a serious issue and whether individuals are entitled to retain their income as a deserved reward for their efforts. For instance, only 25% of Republicans consider income inequality to be a serious issue, compared to 69% of Democrats, highlighting a substantial partisan divide. Similarly, merely 10% of Democrats believe that high-income individuals are generally entitled to keep most of their income, whereas 55% of Republicans hold this view. These significant gaps illustrate how differing fairness perspectives correlate with preferences for taxation levels and progressivity.

However, the estate tax poses thornier ethical issues. This complexity arises because perspectives on the estate tax significantly depend on whether one adopts the viewpoint of the parents or the children. From the children's perspective, many individuals agree that it is unfair for children to have access to better amenities and inherit more wealth solely because they are born into wealthier families. While a partisan gap persists, a majority of both Democrats and Republicans perceive these situations as unfair. Conversely, when considering the parents' perspective—specifically, whether parents should be entitled to pass on their wealth tax-free—a substantial number of people also express agreement. Many believe that parents should be allowed to transfer their wealth to their offspring without taxation. However, these two positions are inherently conflicting. When individuals are prompted to focus on this trade-off and ultimately take a definitive stance—choosing between parents being entitled to pass their wealth tax-free or children being entitled to start with more equal opportunities—their views become divided, even within political affiliations. On balance, approximately 50% of Democrats believe it is fair to allow parents to pass on wealth, even if it results in unequal opportunities for children, whereas about 70% of Republicans hold this view. This indicates a considerable degree of ambivalence and highlights that people are ambivalent about the estate tax due to the complex fairness issues involved.

3 Climate Policy

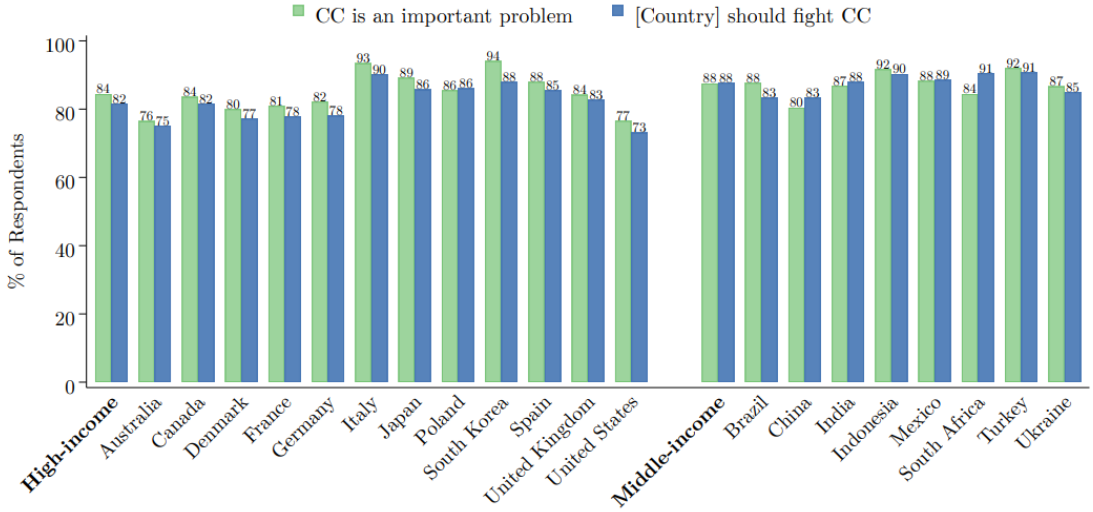
The second area of focus is climate policy, which, though distinct from tax policy, can be effectively analyzed using a framework similar to that in Figure 1. Climate policy addresses a global challenge, so we concentrate our survey on 20 middle- and high-income nations, selected as the largest emitters of CO_2. These countries are pivotal in taking action, even if they are not the most severely impacted by climate change. We conducted a standardized survey, carefully translated and adapted to ensure consistency across diverse linguistic and cultural contexts.

3.1 Overview

A key question is whether people are indifferent to climate change or simply unaware of its severity. Figure 4 suggests that indifference is uncommon. When asked, "Do you agree that climate change is an important

problem?" or whether their country should take action to combat it, most respondents across countries answered "yes" to both. This might reflect a shift from past years, possibly because many are now witnessing the tangible impacts of climate change. Thus, support or opposition to climate action appears to be driven by factors beyond recognizing its importance.

FIGURE 4: PERCEPTIONS OF CLIMATE CHANGE IMPORTANCE AND POLICY SUPPORT



Notes: The figure shows the percentage of respondents who agree (somewhat or strongly) that "climate change is an important problem" or that their country "should take measures to fight climate change." Figure copied from Dechezleprêtre et al. (2022).

To understand support for climate action, the survey follows a structured approach. First, respondents provide background information on their socioeconomic status, political views, energy usage, and other behaviors that could shape their attitudes toward climate policies.

Next, participants are randomly assigned to one of four experimental groups. The control group receives no additional information, while the other groups are exposed to specific informational content. The *climate impacts* group views a video highlighting the effects of climate change in their country. Another group (the *climate policies* group) sees a video explaining three main types of climate policies: regulatory measures (e.g., bans on combustion engine vehicles), environmental taxes (e.g., a carbon tax with cash rebates), and investment-focused initiatives (e.g., green infrastructure programs funded by debt). These videos aim to present information neutrally, focusing on effectiveness and distributional impacts. The fourth group sees both the climate impacts and climate policy videos.

Afterward, participants are tested on their understanding of climate change and asked about their views on various climate policies. For the three core policies—bans on combustion engine vehicles, green infrastructure programs, and carbon taxes with rebates—we examine perceptions of effectiveness, distributional impacts, fairness, self-interest, and overall support. Additionally, we survey views on other policies more briefly, asking respondents whether they support them. These include variations of carbon taxes, revenue use, subsidies, and mandates like building insulation requirements.

3.2 What drives support for climate policies?

To identify the main drivers of climate policy support, we perform a variance decomposition. It highlights three key factors. First, unsurprisingly, self-interest is a major determinant; individuals' expectations about how policies will affect their household finances strongly shape their views. Second, beliefs about the effectiveness of policies in reducing emissions play a critical role. These beliefs vary widely, as the relationship between policy implementation and environmental outcomes can be complex and unclear—even for experts. Third, concerns about fairness matter significantly. People worry about whether policies might dispropor-

tionately burden low-income or vulnerable groups, such as rural households with fewer adaptive resources. Interestingly, general concern about climate change and specific knowledge of climate issues are not strong predictors of policy support when compared to these factors.

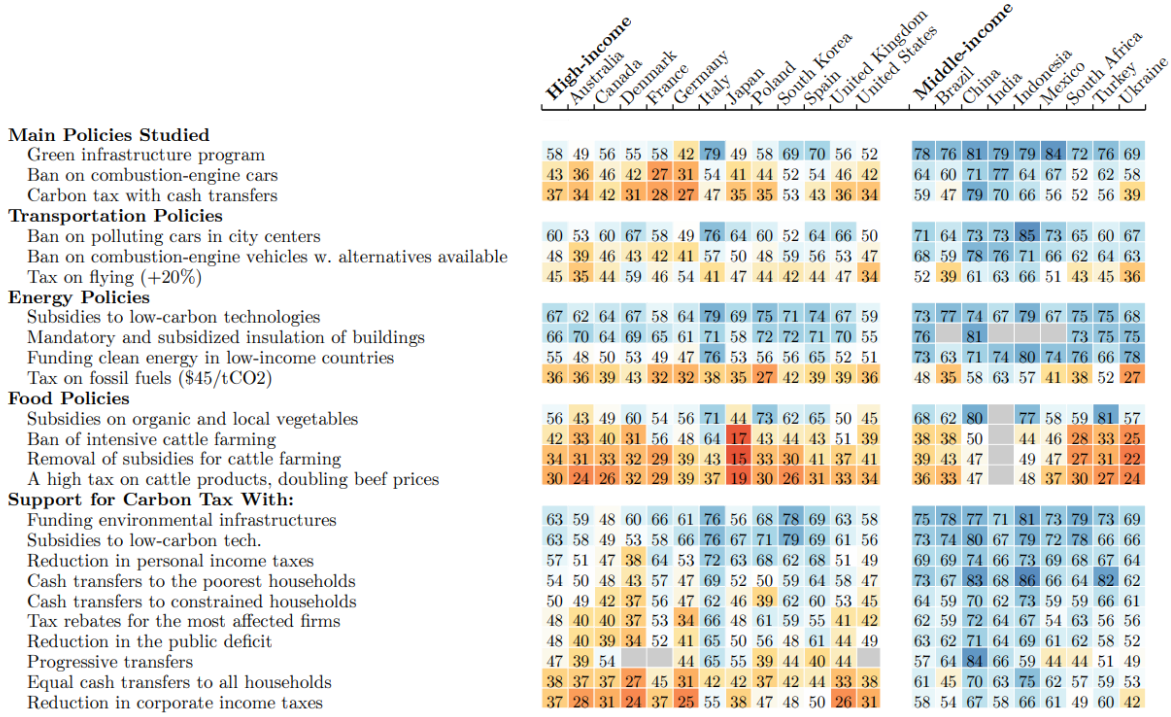
Examining policy support across countries reveals patterns that align with these drivers, as seen in Figure 5. At the top of the figure are the three core policies studied in detail, followed by others related to transportation, energy, food, and variations in carbon tax revenue use. Each cell shows the percentage of respondents in a country who support or strongly support a given policy.

Energy policies, particularly subsidies for low-carbon technologies and infrastructure, receive high levels of support. When these policies are funded through debt, they are viewed as either progressive or neutral in terms of distributional impacts and effective environmentally, leading to widespread approval.

Carbon taxes, unsurprisingly, are among the least popular policies, even when accompanied by equal cash rebates. However, support increases significantly when revenues are earmarked for environmental infrastructure or used to fund low-carbon subsidies. Revenue allocation to targeted groups, such as the poorest households, also improves acceptance. In contrast, equal cash rebates for all individuals or corporate tax cuts are seen as less fair and garner lower support.

Food policies, such as removing agricultural subsidies or taxing cattle products, face strong resistance. This might be a reflection of a deep attachment to traditional agricultural practices in many countries.

Figure 5: Share of respondents who support climate change policies



Notes: Policy views are measured on a 5-point scale: "Strongly oppose," "Somewhat oppose," "Neither support nor oppose," "Somewhat support," and "Strongly support." The figure shows the percentage who answered "Somewhat support" or "Strongly support." The first block represents high-income countries, followed by middle-income countries. Figure copied from Dechezleprêtre et al. (2022).

3.3 Who supports more climate action?

Support for climate action varies across groups within countries. Self-interest is again a key factor. People whose lifestyles allow them to adapt to or benefit from policies, such as those with access to good public transit or with lower car dependency, are more supportive.

Political orientation also plays a role, with left-leaning individuals consistently showing greater support for climate action, even when controlling for a full array of other individual characteristics. Education has a similar effect; holding a college degree increases support. Income, however, becomes less significant when education and political orientation are accounted for. Surprisingly, age has mixed effects. While younger people tend to support climate action more in some countries (e.g., France, Australia, the U.S.), in others, age is not a significant factor.

3.4 The effects of information

The videos shown to participants have interesting effects. Viewing the climate impact video—highlighting the effects of climate change—results in modest shifts in policy views. While it increases concern about climate change and slightly improves knowledge, these factors are not strong predictors of policy support. The climate policy and combined treatments, however, have a larger impact. By addressing key drivers—policy effectiveness, distributional impacts, and self-interest—these treatments significantly shift support for specific policies. They also influence views on related policies, such as variations on the carbon tax and vehicle bans.

3.5 Policy lessons

The insights from these international surveys and experiments highlight several important lessons for climate policy. First, proposed policies need to be distributionally progressive, and citizens must be made aware of this aspect. Among others, this means that carbon pricing can gain broader support if it is paired with measures like transfers to vulnerable households and investments in low-carbon initiatives, showing that effectiveness and fairness can align. Second, providing clear explanations and information is crucial for building support for climate policies. These efforts are most effective when they address the key concerns identified, while simply highlighting the risks of climate change without explaining the policies has limited impact. Third, people are deeply concerned about potential personal losses from climate actions. Their experiences strongly influence their perceptions and beliefs about climate change and policies. This underscores the need to expand access to environmentally friendly alternatives, such as public transportation, before implementing higher environmental taxes. This appropriate "sequencing" of policies is crucial.

4 Policies to Fight Inflation

The third policy area covered is inflation – a complex issue that remains a central topic in economic research. It has a profound impact on people's daily lives, often causing stress and strong emotional reactions (Stantcheva, 2024). Recent media coverage of the current inflationary period highlights its prominence as a pressing policy challenge.

4.1 Overview

In Binetti et al. (2024), we explore how people perceive inflation—its causes, consequences, and effects on different groups within society. We investigate whether individuals understand the economic shocks that drive inflation and the trade-offs involved in policies designed to combat it. Additionally, we examine public support for various anti-inflationary measures.

To address these questions, we conducted a large-scale online survey with a representative sample of U.S. residents. The survey questions draw on well-established theoretical and empirical frameworks in macroeconomics that model inflation and its impacts, allowing us to assess the alignment between public beliefs and these models. The survey covers a range of policies, including traditional monetary and fiscal tools, indirect interventions, and redistributive measures aimed at mitigating inflation's effects on lower-income

households. We also conducted two experiments. The first, a conjoint experiment, evaluates how people prioritize inflation versus unemployment. The second, an information experiment, presents respondents with details about the trade-offs between inflation and economic activity, as well as the limitations policymakers face in addressing these challenges.

In short, the key findings are as follows. First, respondents primarily attribute inflation to government actions, particularly increased foreign aid, war-related spending, and rising production costs stemming from the COVID-19 pandemic, oil price fluctuations, and supply chain disruptions. Respondents also view inflation as significantly complicating household decision-making, considering this to be its most critical impact. This complexity affects daily financial choices and creates economic uncertainty, which respondents perceive as more consequential than efficiency costs typically emphasized in economic literature. Additionally, they foresee adverse distributional effects, believing that inflation disproportionately harms lower-income households.

There are striking partisan differences in these perceptions. Democrats are less likely than Republicans to blame the government and more likely to hold businesses responsible for inflation. Republicans, on the other hand, predict broader negative consequences, including harm to economic growth, the dollar's value, trust in government, and national prestige. However, Democrats are more likely to emphasize inflation's role in exacerbating inequality.

Overall, respondents perceive inflation as overwhelmingly negative, rarely associating it with positive economic developments. They tend to view inflation as a problem that policymakers should address without requiring significant trade-offs, such as reduced economic activity or increased unemployment. Our information experiment, which highlighted these trade-offs, modestly improved respondents' understanding that inflation can arise from positive economic factors but did little to alter their beliefs about the constraints policymakers face or their support for specific anti-inflationary policies. This suggests a deeply rooted view of inflation as inherently negative, often linked to other adverse events, and an expectation that it should be addressed without imposing additional economic costs.

Inflation is also viewed as a high-priority policy issue. In our conjoint experiment, respondents placed greater emphasis on addressing inflation than unemployment, particularly at higher inflation levels. However, despite this focus, support for monetary tightening measures was limited, reflecting a common misconception that higher interest rates increase inflation. Instead, respondents showed a preference for policies targeting firms, such as raising corporate taxes, strengthening anti-trust regulations, and freezing prices on essential goods. There was also strong support for reducing government debt through higher taxes on top earners, though not through cuts to social spending. Additionally, respondents widely endorsed policies to assist vulnerable households in coping with inflation, even when such measures might contribute to inflationary pressures.

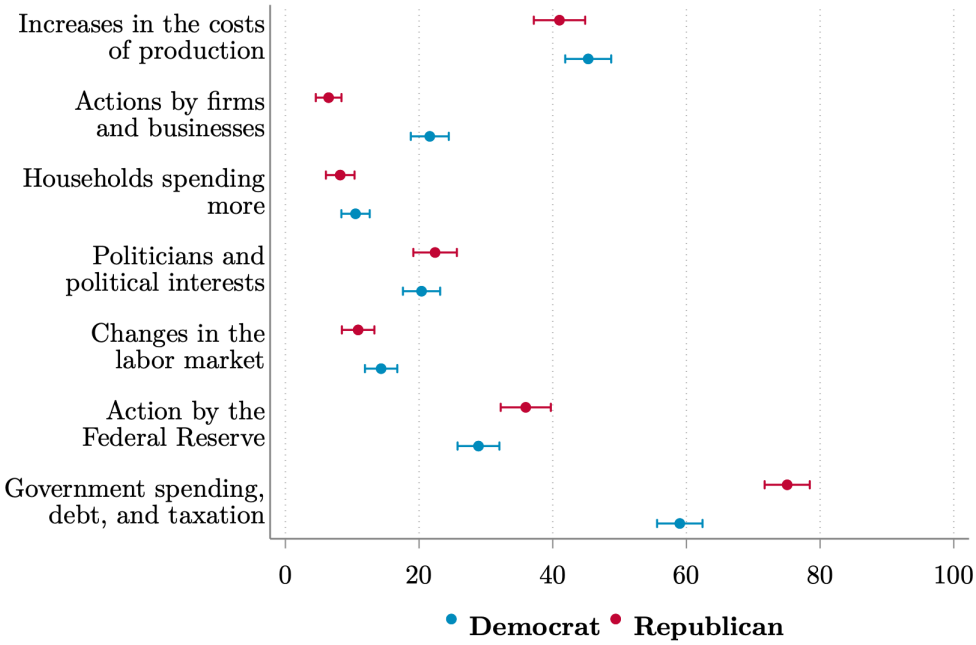
We now dive into these findings more closely.

4.2 Perceived causes of inflation

"What do people think causes inflation?" Figure 6 shows the percentage of respondents who identify each listed factor as a key contributor to inflation. The most commonly cited cause (by 67% of respondents) is "*Government spending, debt, and taxation*," which includes elements such as foreign aid for wartime efforts that respondents frequently link to inflationary pressures. Partisan differences are noticeable, with Republicans more likely than Democrats to attribute inflation to government actions and expenditures. However, a majority of Democratic respondents also recognize government spending as a primary driver of inflation (around 75% of Republicans vs 60% of Democrats). The second most frequently mentioned cause (by 43% of respondents) is "*Increases in the cost of production*," which includes factors such as supply chain disruptions, the COVID-19 pandemic, and rising oil and energy prices.

Partisan differences also emerge in views on "*Actions by firms and businesses*." Democratic respondents are more likely to blame inflation on corporate behaviors, including profit-driven practices and perceived greed, while Republicans are less inclined to attribute inflation to the private sector, reflecting contrasting ideological perspectives (around 20% of Democrats list businesses' actions as the primary cause of inflation, vs 7% of Republicans).

Figure 6: Perceived causes of inflation

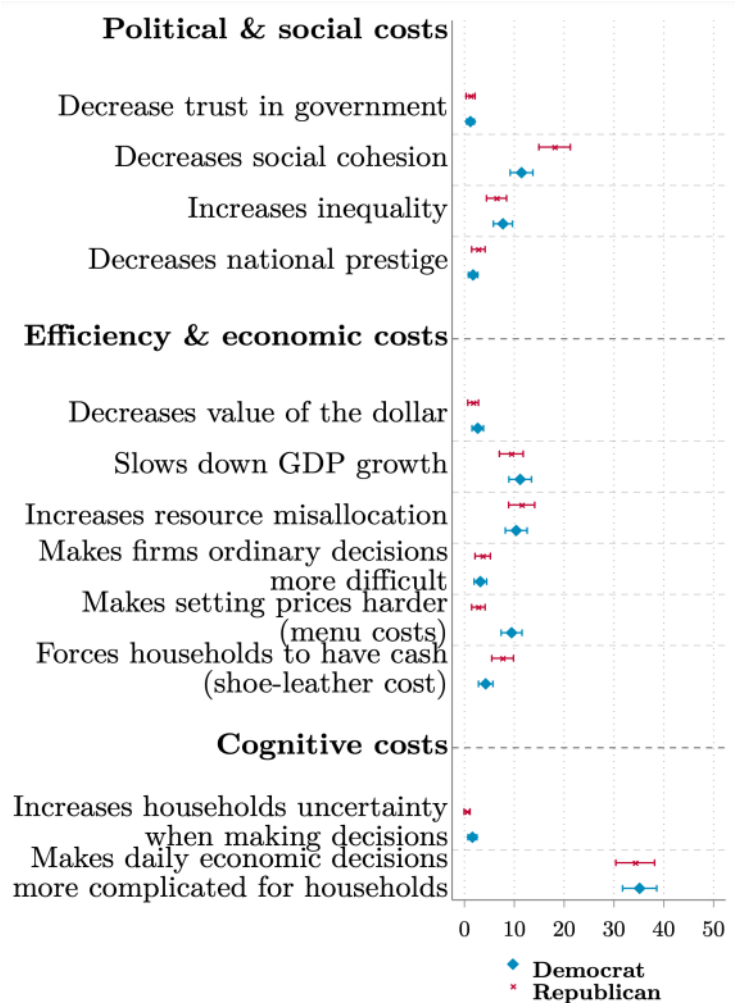


Notes: Each dot represents the percentage of respondents identifying a specific cause as one of the top two contributors to inflation. The lines represent 95% confidence intervals. Figure copied from Binetti et al. (2024).

4.3 Perceived consequences of inflation

Figure 7 organizes the perceived effects of inflation into three categories: "*Political & social costs*," "*Efficiency & economic costs*," and "*Cognitive costs*." The most frequently mentioned consequence– by around 35% of respondents– is the increased complexity of household decision-making. This includes both the tangible decline in living standards and the mental strain of navigating economic uncertainty. Respondents also frequently associate inflation with decreased social cohesion and growing inequality. Other consequences, such as slower GDP growth and inefficient resource allocation (both mentioned by around 10%), are noted but appear less critical to respondents compared to the primary concerns.

Figure 7: Perceived Consequences of Inflation

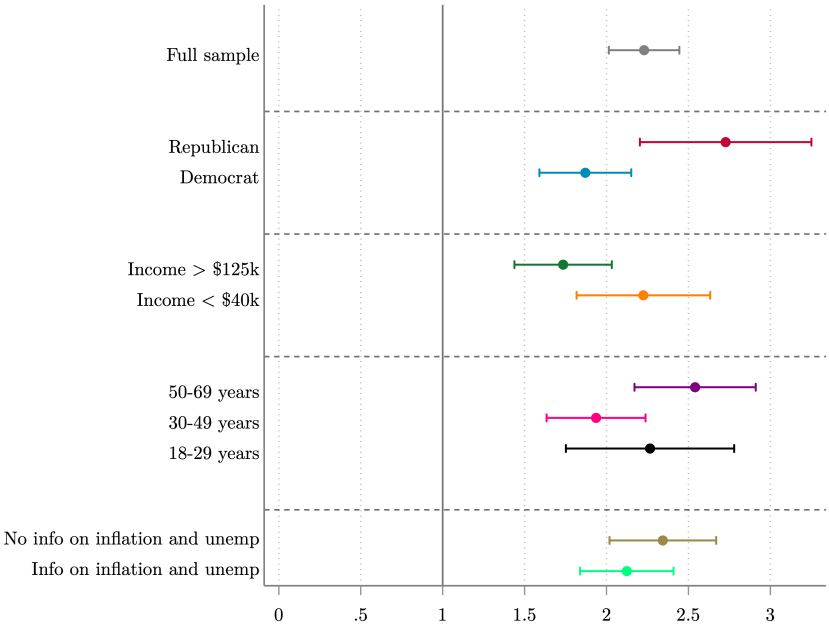


Notes: Each dot represents the percentage of respondents identifying a specific consequence as the most important outcome of inflation, accompanied by 95% confidence intervals. Respondents were shown only those consequences they had previously identified as important. Figure copied from Binetti et al. (2024).

4.4 How do people trade off unemployment and inflation?

To explore how people weigh inflation against unemployment, Figure 8 presents results from the conjoint experiment. In this experiment, respondents evaluated pairs of hypothetical economies with varying unemployment and inflation rates and indicated their preferences. On average, respondents placed slightly greater importance on inflation than unemployment, with a relative weighting of approximately 2.2. This preference for prioritizing inflation control was more pronounced among Republicans and older respondents. Lower-income respondents also showed a modest bias toward inflation control.

FIGURE 8: CONJOINT EXPERIMENT: IMPLIED WEIGHT ON INFLATION RELATIVE TO UNEMPLOYMENT

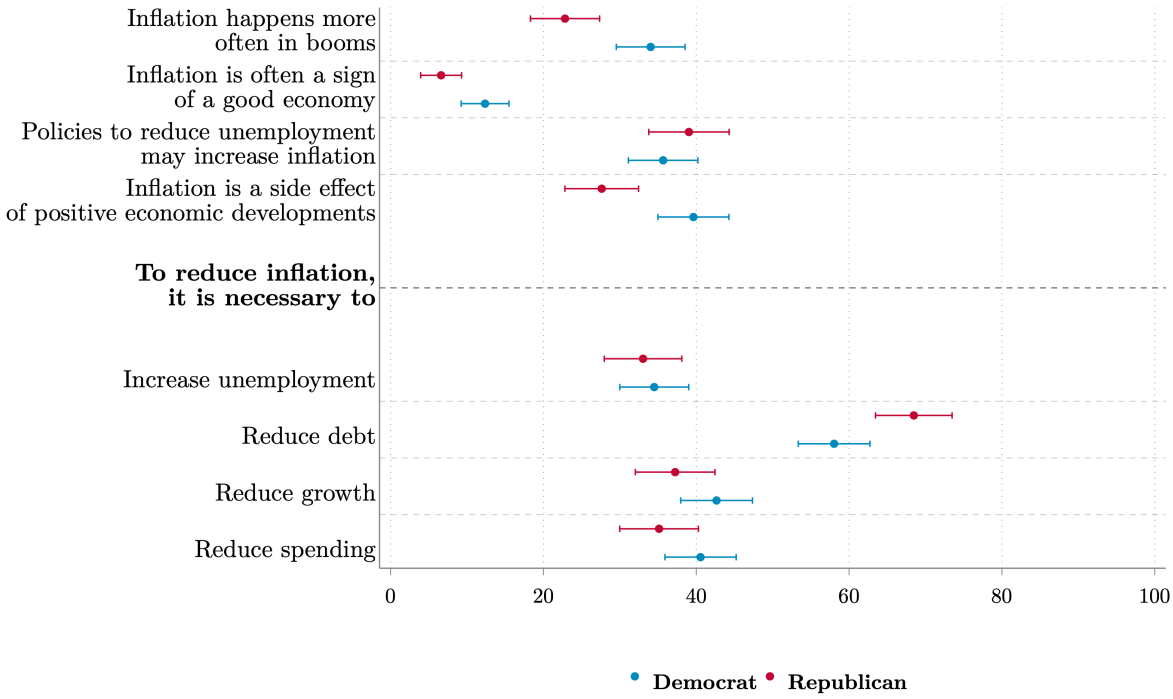


Notes: Each dot represents the ratio of the coefficient for the difference in inflation to the difference in unemployment between two hypothetical economies. Each regression was estimated separately for the subsamples described in the rows. The lines represent 95% confidence intervals. Figure copied from Binetti et al. (2024).

4.5 A lack of perceived trade-offs

Figure 9 examines respondents' perceptions of trade-offs in addressing inflation. Most respondents do not view inflation as a byproduct of economic growth. Instead, they primarily associate it with adverse economic conditions, aligning their views more closely with episodes of "stagflation" than with inflation stemming from an economic boom. Similarly, when asked about policy measures to combat inflation—such as increasing unemployment, reducing government debt, or curbing growth and spending—only a minority acknowledge these trade-offs as necessary.

Figure 9: Perceived trade-offs between inflation and other economic outcomes

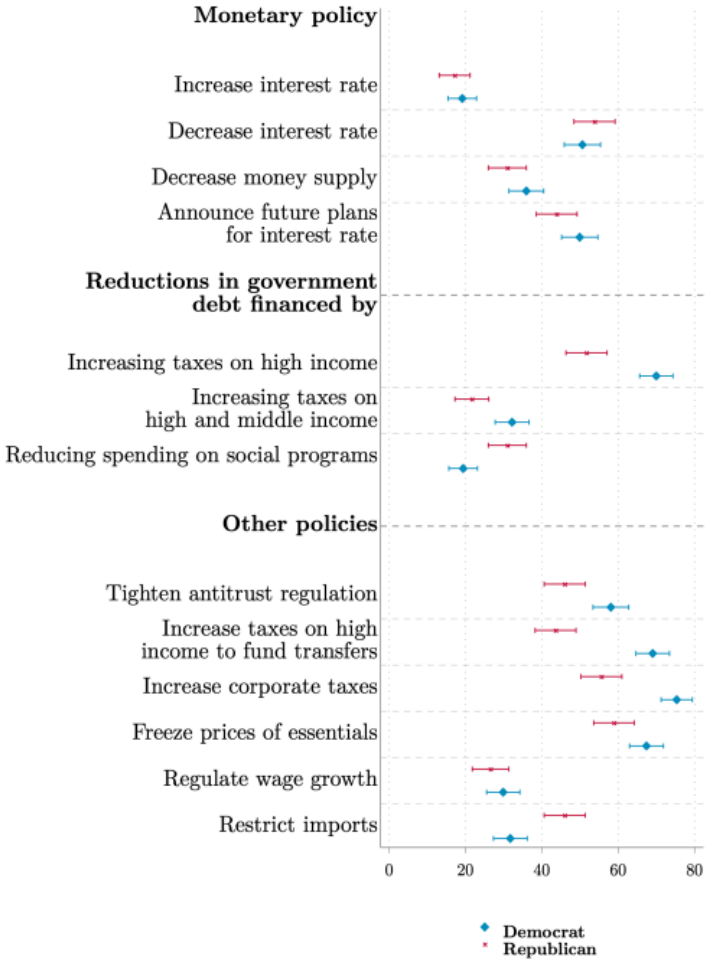


Notes: Each dot represents the percentage of respondents agreeing with the statement on the corresponding row by political affiliation. The lines represent 95% confidence intervals. "Inflation happens more often in booms" reflects agreement that inflation is more prevalent during economic expansions. "Policies to reduce unemployment may increase inflation" indicates agreement that such policies could exacerbate inflation. "Inflation is a side effect of positive economic development" shows agreement with this statement. In the second panel, indicators equal to one represent respondents who consider the listed trade-off to be very or extremely necessary. Figure copied from Binetti et al. (2024).

4.6 Support for inflation-fighting policies

Figure 10 highlights public attitudes toward policies aimed at reducing inflation. Standard monetary tightening measures, such as raising interest rates lack support, with only about 20% of respondents in favor. Conversely, reducing interest rates garners significant support, reflecting a widespread misunderstanding that higher rates contribute to inflation. Instead, fiscal measures, such as reducing government debt through higher taxes on top earners, enjoy considerable backing, though with notable partisan differences. Furthermore, there is strong support for less standard policies, such as those targeting corporate behavior, e.g., tightening antitrust regulations or increasing corporate taxes. Finally, freezing prices on essential goods has bipartisan support.

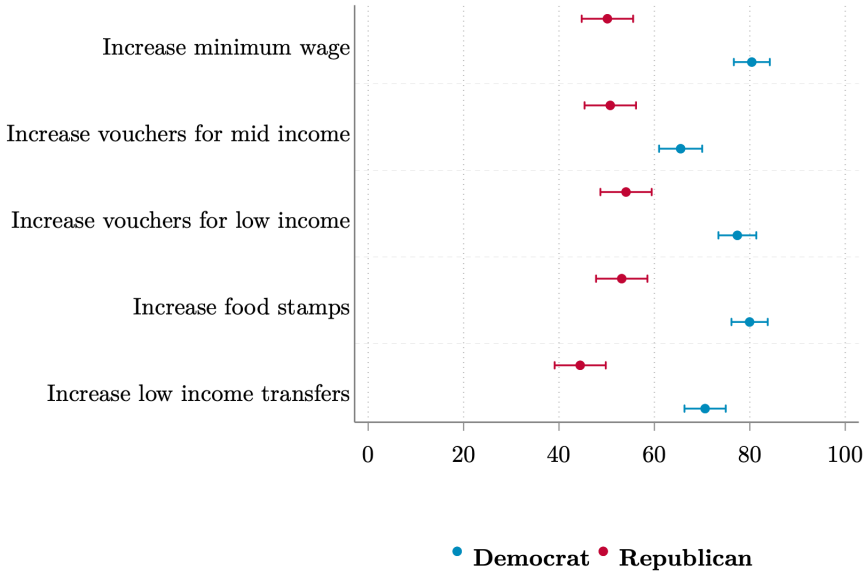
Figure 10: Views on policies to combat inflation



Notes: This figure depicts the percentage of respondents supporting each policy by political affiliation, accompanied by 95% confidence intervals. Policies are categorized into "*Monetary*", "*Reductions in Government Debt*", and "*Other*". Figure copied from Binetti et al. (2024).

Figure 11 focuses on the support for policies designed to mitigate the adverse redistributive effects of inflation, rather than the ones to combat inflation. There exist pronounced partisan disparities in support for these measures, with Democratic respondents exhibiting higher levels of approval compared to their Republican counterparts. Nonetheless, a majority of Republicans also endorse redistributive policies aimed at assisting low-income households in coping with inflationary impacts, despite the potential for these policies to be inflationary themselves. This finding underscores a wide public endorsement for measures that provide targeted relief, irrespective of the further inflationary pressures they may cause.

Figure 11: Support for Redistributive Policies to Mitigate Inflation Impacts by Political Affiliation



Notes: This figure illustrates the percentage of respondents supporting each redistributive policy by political affiliation, accompanied by 95% confidence intervals. Figure copied from Binetti et al. (2024).

4.7 Policy lessons

These findings have several implications for economic research and policymaking. First, beliefs play a significant role in shaping behaviors, which in turn influence real-world outcomes and policy impacts. As Stantcheva (2024) notes, people's perceptions of inflation drive costly adjustments and behavioral changes. Second, understanding how people think and reason about inflation provides insights into their concerns and preferences, which policymakers and researchers might want to consider as "political economy constraints" when designing optimal policies. Finally, identifying and addressing common misperceptions—through education, public commentary, and better communication—could help align public understanding with economic realities.

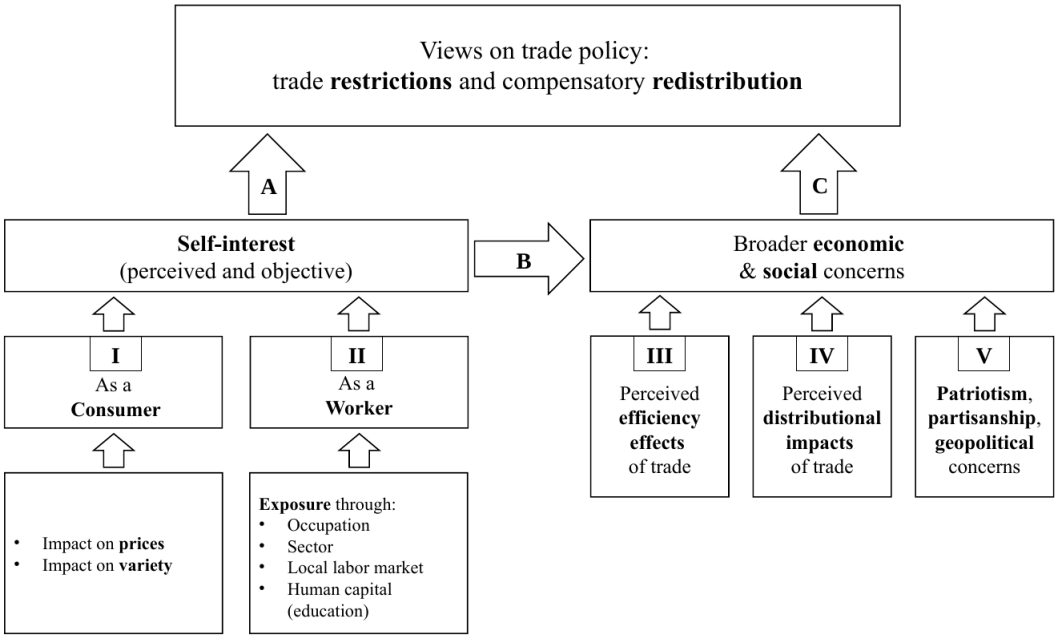
5 Trade Policy

The final area of focus is trade policy, which presents unique challenges compared to the other topics discussed. Figure 12 outlines a framework tailored specifically for analyzing trade policy. A notable feature of this framework is the multifaceted nature of self-interest in the context of trade, illustrated on the left side. Similar to inflation, trade impacts individuals in multiple roles. People are both consumers and workers, with each role shaping their perceptions and preferences differently.

As consumers, individuals' self-interest is influenced by their expectations regarding the availability, variety, and pricing of goods. As workers, their interests are tied to factors like their occupation, industry dynamics, local labor market conditions, and human capital, often represented by education or skill levels. These dual roles create a complex interplay of benefits and risks, as individuals weigh potential consumer advantages against occupational challenges. Beyond these personal factors, broader concerns about trade's economic and social impacts, such as efficiency gains and distributional outcomes, also shape views. These considerations are often influenced by patriotism, political affiliation, and geopolitical perspectives. The

following sections summarize the key findings on trade policy, organized into three main insights.

FIGURE 12: FRAMEWORK FOR ANALYZING TRADE POLICY CONSIDERATIONS



Notes. Figure copied from Stantcheva (2022).

5.1 Job risks outweigh consumer benefits

The first set of findings focuses on the relative importance of consumer gains and job losses in shaping views on trade. While prior research has underscored both the consumer benefits and employment risks associated with trade—emphasizing that the former are diffuse and the latter more concentrated—this paper directly examines how these two factors influence public attitudes toward trade policies.

Respondents perceive consumer gains from trade (Box I) as abstract and widely distributed. Opinions are divided on whether trade has effectively lowered prices or increased the variety of goods in the U.S. or within their personal consumption baskets. Experimentally prompting respondents to reflect on their potential gains as consumers does not significantly alter their views on trade. This suggests that consumer benefits, while acknowledged, lack the salience necessary to drive strong shifts in policy preferences.

In contrast, respondents who identify as being impacted by trade as workers (Box II) view the associated risks and costs as much more immediate and tangible. Although only a minority of respondents report feeling directly threatened by trade in their jobs, this group exhibits heightened sensitivity to trade's potential downsides. This exposure, though limited to a subset of respondents, plays a critical role in shaping their overall stance on trade. Furthermore, when a randomly selected subset of respondents is explicitly primed to consider potential job-related threats from trade, their support for open trade decreases significantly.

These findings provide evidence that perceived job risks exert a stronger influence on policy preferences than the potential consumer gains from trade. The salience of employment risks and their direct connection to individual livelihoods make them a more compelling determinant of trade policy attitudes than the relatively diffuse and abstract nature of consumer benefits.

5.2 Balancing efficiency and equity in trade

The second insight explores how individuals navigate the trade-offs between efficiency gains and equity concerns. Respondents generally recognize that trade can improve efficiency by fostering competitiveness, innovation, and economic growth. At the same time, they understand that trade can exacerbate inequality, disproportionately impacting low- and middle-income workers.

Support for open trade policies is primarily driven by the perception of efficiency benefits. People who believe trade enhances economic efficiency are more likely to favor reducing trade barriers and increasing openness. However, those concerned about the distributional impacts of trade are not necessarily opposed to free trade. Instead, they support policies that redistribute trade gains to mitigate negative effects on vulnerable groups. This suggests that public support for trade depends on having mechanisms in place to address equity concerns. When respondents trust that redistribution can adequately address income disparities caused by trade, they are more likely to endorse free trade policies. In the absence of such measures, equity concerns may lead to opposition.

5.3 Personal experiences shape trade policy views

The third key insight focuses on how personal experiences with trade influence policy preferences, both directly and indirectly. People's views are shaped by their perceived personal exposure to trade's effects as well as by objective factors such as their sector, occupation, and local labor market's vulnerability to trade. These factors are strongly correlated with support for trade restrictions: individuals negatively impacted by trade are more likely to favor limiting trade.

Personal experiences also indirectly shape broader perceptions of trade. As illustrated in Figure 12, self-interest influences not only individuals' assessments of their own situations but also their views on trade's overall effects on the economy. For example, someone negatively affected by trade may perceive broader economic outcomes, such as efficiency and distributional impacts on others, through the lens of their personal experience. This dual influence—both direct and indirect—is significant, as it shapes not only individual opinions but also collective attitudes toward trade policies.

6 A Key Mindset: Zero-Sum Thinking

To conclude, I want to emphasize a central concept in the framework: mindsets. As discussed earlier, mindsets serve as interpretive lenses through which individuals perceive the world, shaping their understanding and judgments. One particularly influential mindset is zero-sum thinking—the belief that one person's or group's gain inevitably results in another's loss. In this view, resources are perceived as finite, and success is seen as a competition rather than an opportunity for mutual benefit. This perspective fosters a preference for competitive over cooperative approaches in social and economic interactions. Importantly, while related to partisanship, zero-sum thinking is a distinct mindset that influences how individuals evaluate policies across diverse domains, as explored in Chinoy et al. (2023).

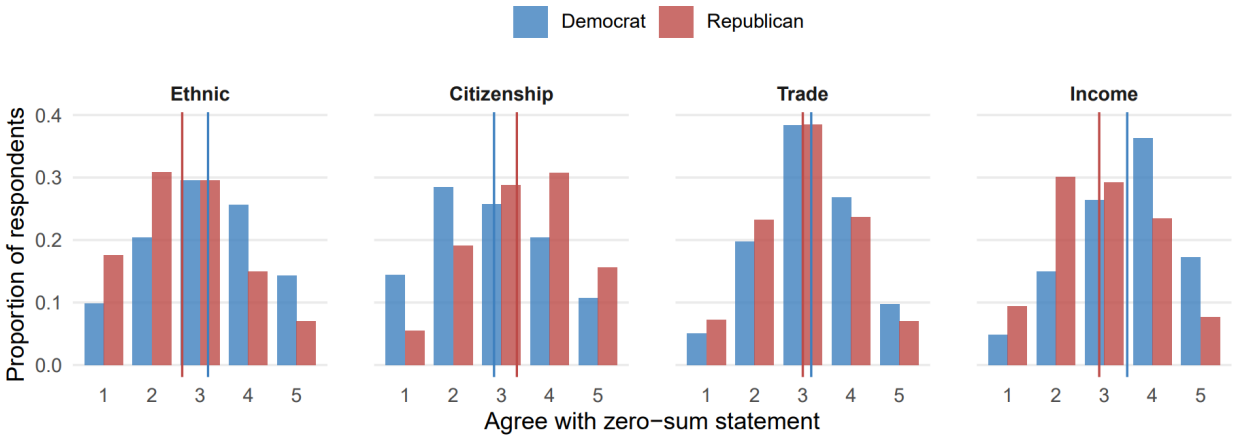
6.1 Who exhibits zero-sum thinking?

To measure zero-sum thinking, in Chinoy et al. (2023), we examine respondents' beliefs about interactions across various groups, including ethnicities, citizens versus non-citizens, countries, and income brackets. These assessments combine into an overarching measure of zero-sumness, with higher scores reflecting a greater tendency to view interactions as zero-sum.

The analysis reveals notable differences in zero-sum thinking across demographic groups. Individuals living in rural or suburban areas exhibit lower levels of zero-sum thinking compared to those in urban settings. Education level also plays a significant role: respondents with postgraduate degrees are more likely to endorse zero-sum perspectives, suggesting a nuanced relationship between education and mindset. The relationship between income and zero-sum thinking is non-linear. As income increases, zero-sum thinking

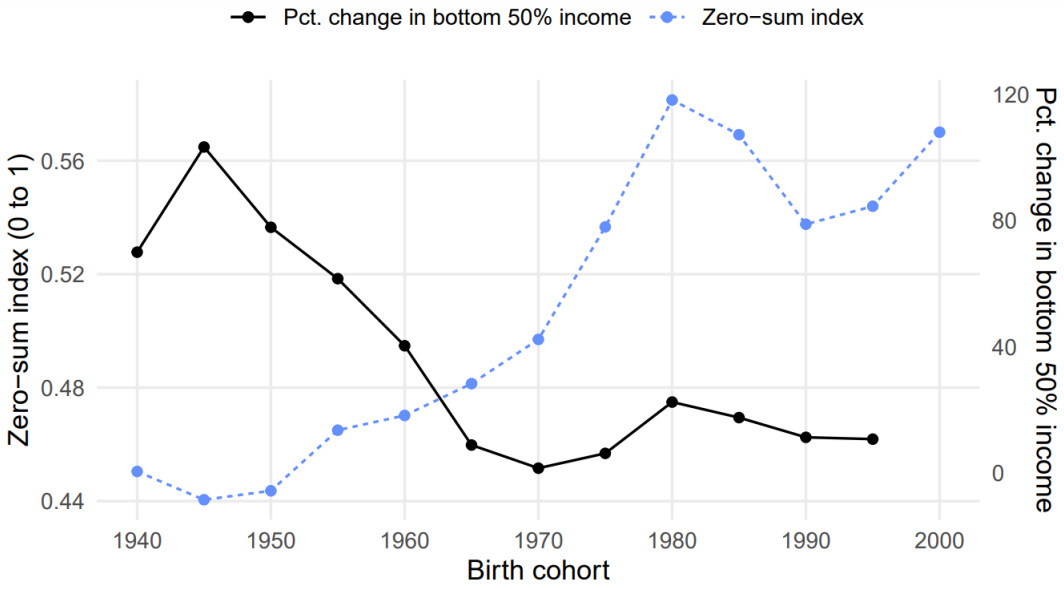
initially declines, but beyond a certain income threshold, higher earners show greater tendencies toward zero-sum thinking.

Figure 13: Distributions of Responses to Zero-Sum Questions by Party



Notes: The figure shows the distributions of responses to the zero-sum questions by political affiliation, where answer options are (1) Strongly disagree, (2) Disagree, (3) Neither agree nor disagree, (4) Agree, (5) Strongly agree. Vertical lines show the mean response for each party. "Republican" includes respondents who considered themselves "Strong Republican" or "Moderate Republican", and "Democrat" includes respondents who considered themselves "Strong Democrat" or "Moderate Democrat." Those who considered themselves "Independent" are not shown. Figure copied from Chinoy et al. (2023).

Figure 14: Economic Growth and Zero-Sum Thinking, by Birth Cohort



Notes: The black solid line is the percentage change in average income for the bottom 50% of the population during the first 20 years of an individual's life, averaged over five-year bins. Data are from the World Inequality Database. The blue dashed line is the average zero-sum index for respondents, also by five-year bins of birth year. Figure copied from Chinoy et al. (2023).

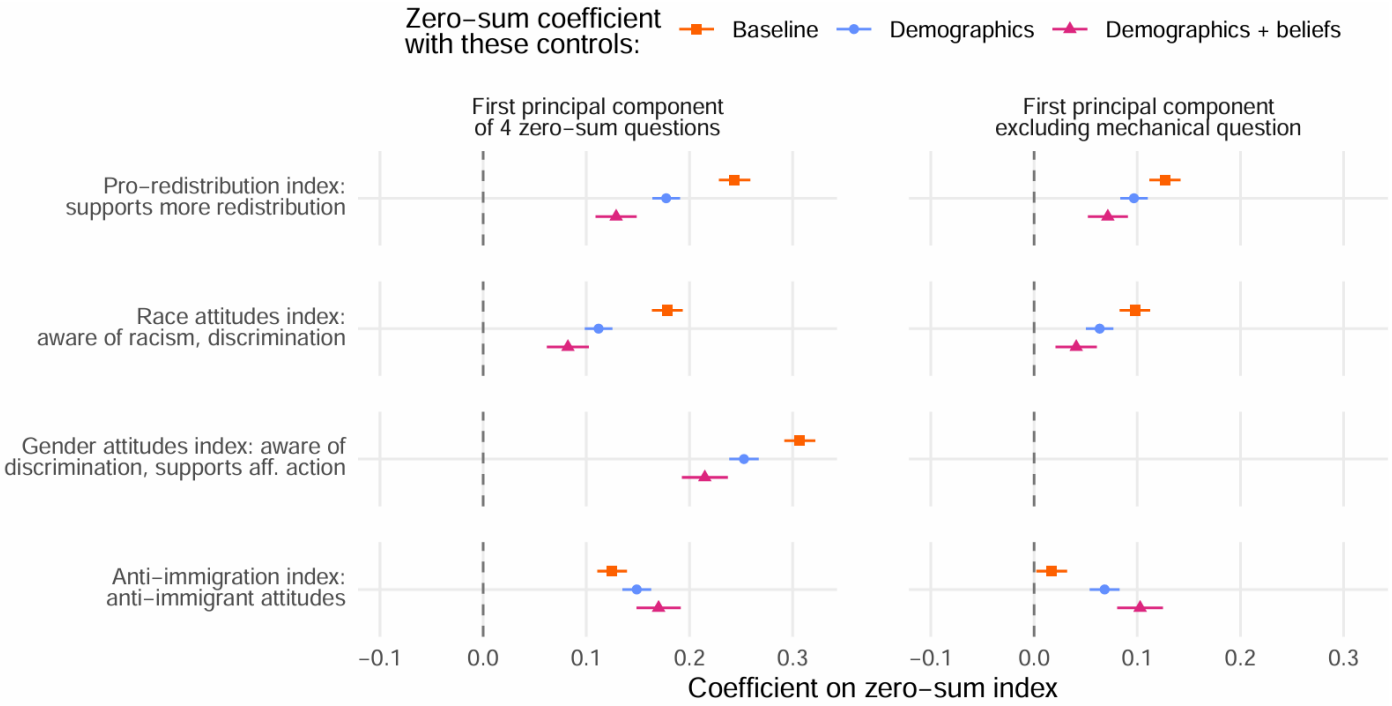
6.2 Zero-sum thinking transcends partisanship

Importantly, as illustrated in Figure 13, zero-sum thinking is not predominantly aligned with partisanship, which is why it is treated as a separate mindset in this framework. When examining the distribution of zero-sum scores among Democrats and Republicans in the United States, there is significant overlap between the two groups. However, some specific domains do show partisan differences. For instance, Democrats are more likely to adopt a zero-sum perspective in interactions between wealthier and poorer individuals, while Republicans exhibit stronger zero-sum thinking in contexts involving immigrants versus non-immigrants. Overall, though, zero-sum thinking is not strongly tied to political affiliation.

6.3 Generational trends

An intriguing pattern emerges when examining generational differences. Figure 14 indicates that younger individuals tend to exhibit higher levels of zero-sum thinking. This trend reflects a cohort effect rather than a simple age effect. It appears to be shaped by the economic conditions experienced during formative years. Older generations, who grew up during periods of robust economic growth and upward mobility, generally display lower levels of zero-sum thinking. By contrast, younger generations, who matured in times of economic stagnation, are more inclined toward zero-sum perspectives. Interestingly, this pattern reverses in countries experiencing economic improvement, where younger individuals are less prone to zero-sum thinking compared to their older counterparts. This further supports the idea that zero-sum thinking is shaped by the economic environment in which individuals come of age.

Figure 15: Zero-Sum Thinking and Policy Views



Notes: Each coefficient is from a separate regression with controls for age and age squared, gender, and their interaction, whether the respondent was born in the United States, and fixed effects for survey wave. The three estimates in each column correspond to (1) the baseline specification, as well as specifications that add (2) demographic controls: fixed effects for race, household income, educational attainment, party affiliation, and fixed effects for household income interacted with a quadratic in age, and (3) controls for other core beliefs: whether the respondent thinks luck is more important than effort, their perceptions of economic mobility, the degree to which they are a moral universalist, how often they think the government can be trusted, whether they think people can generally be trusted, whether they think tradition is important, and how important religion is in their life. Outcomes and regressors are standardized to have mean zero and standard deviation one. In the first column, the coefficient estimate corresponds to the baseline zero-sum index, that is, the first principal component of the four baseline zero-sum questions about income, citizenship, ethnic groups, and trade. In the second column, the coefficient corresponds to the first principal component of three of the baseline questions, removing the one that may be mechanically correlated with the policy outcomes in that group – income for the redistribution outcomes, ethnic groups for the race outcomes, and citizenship for the immigration outcomes. Index measures are the first principal component of the relevant questions. Horizontal bars are 95% confidence intervals. For comparison, a one standard deviation increase in Democratic partisanship corresponds to a 0.4959, 0.4857, -0.3068, and 0.3719 standard deviation change in the pro-redistribution, race attitudes, anti-immigration, and gender attitudes indices, respectively (controlling for age and age squared, gender, and their interaction, whether the respondent was born in the United States, and fixed effects for survey wave). Figure copied from Chinoy et al. (2023).

6.4 The impact of zero-sum thinking on policy preferences

Zero-sum thinking has profound implications for policy preferences. We focus on four key policy areas: redistribution, gender equality, racial equality, and immigration, as shown in Figure 15. Conceptually, a zero-sum mindset can influence people's views on these policies through three main channels. First, individuals who believe that one group's success comes at the expense of another are more likely to support policies that aim to "correct" perceived harms or externalities caused by these dynamics. Second, concerns about procedural fairness—how income or resources were earned and whether they stem from zero-sum

interactions—can shape attitudes toward whether certain groups deserve policy support. The influence of these factors on policy preferences depends on whether the perceived zero-sum interaction benefits an advantaged group (e.g., those with higher incomes) or a disadvantaged one (e.g., those with lower incomes). Finally, the overall effect of zero-sum thinking on policy views is shaped by individuals' self-interest and whether they identify with the group perceived as gaining or losing in the zero-sum framework.

Empirically, we find that individuals who view the world through a more zero-sum lens are more likely to support policies that redistribute income from the wealthy to the poor or increase access to resources for disadvantaged groups. Examples include support for higher taxes on the rich, universal healthcare, and affirmative action programs for women and African Americans. At the same time, these individuals tend to favor more restrictive immigration policies, reflecting concerns about perceived competition for resources.

A potential concern is that zero-sum thinking could be linked to other significant values or beliefs that also influence political preferences. To ensure that our findings are not biased by omitted variables, we account for several well-established factors frequently examined in the literature. These include beliefs about the role of luck versus hard work in achieving success, moral universalism, generalized trust, perceptions of social mobility, and the importance placed on tradition. We test the sensitivity of our results to these factors and find that the documented patterns remain robust. This demonstrates that a zero-sum mindset represents a distinct and quantitatively significant dimension in shaping policy preferences.

6.5 Where do mindsets come from?

We explore the connections between ancestral experiences and contemporary zero-sum perspectives. We focus on key aspects of US history, namely economic mobility, immigration, and enslavement. To study economic mobility, we assess respondents' perceived economic rank relative to others, both for themselves and across previous generations, including their parents and grandparents. This allows us to measure self-perceived intergenerational mobility by calculating differences in economic rank between generations. The findings indicate that higher intergenerational upward mobility is consistently associated with less zero-sum thinking, with similar effects observed across all measured generations.

Similarly, having recent immigrant ancestors correlates with reduced zero-sum thinking. This relationship is strongest among first-generation immigrants and gradually diminishes across subsequent generations. Moreover, individuals whose grandparents or parents were raised in counties with a historically high proportion of immigrants during the Age of Mass Migration (1860–1920) also exhibit less zero-sum thinking. These results suggest that the presence and experiences of immigrants in a community shaped attitudes that persisted across generations.

Unlike mobility and immigration, a history of enslavement is associated with higher zero-sum thinking. Black respondents, on average, report stronger zero-sum views compared to other racial groups, particularly when their ancestors were enslaved. Other forms of historical oppression—such as the forced internment of Japanese Americans, the displacement of Indigenous populations, and the enslavement of Jewish people during the Holocaust—also contribute to heightened zero-sum thinking among their descendants. Additionally, respondents from counties with historically high levels of enslavement continue to show stronger zero-sum attitudes today, highlighting the persistent influence of this historical trauma.

The legacy of slavery also extends beyond the South. Respondents whose ancestors were raised in areas with significant migration of white Southerners, or in counties characterized by strong Confederate culture, exhibit stronger zero-sum thinking. These patterns emphasize how institutional racism and widespread oppression have contributed to these attitudes among all Black Americans, not only those with enslaved ancestors.

7 Conclusion

This lecture underscores the value of surveys in uncovering how individuals perceive and evaluate key economic policies that influence their daily lives, from tax policy to climate action, inflation management, and trade. It highlights the pivotal role of mindsets—such as political ideology and zero-sum thinking—in shaping these perspectives. These mindsets act as lenses through which we interpret broader economic and social realities.

Building on these insights, I see three promising directions for future research. First, it would be valuable to further explore the origins and influence of other mindsets. Second, it would be greatly beneficial to explore effective ways to enhance public understanding of economic policies that shape daily life – which types of information or interventions can improve comprehension and engagement with these policies? Third, there is significant scope to integrate people's concerns and constraints that emerge from survey data into economic models, not only to improve their predictive accuracy but also to design policies that are more aligned with the realities individuals face.

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