

What Shapes Our Support for Redistribution Policy? Evidence from Social Economics Surveys and Experiments

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Motivation

- **Growing economic inequality** has intensified the debate around the appropriate public policies to tackle it and the **optimal design of redistributive programs**
- Key aspect of optimal design of tax/transfer programs is balancing of **redistributive gains** and **efficiency costs**
- Aggregation of individual preferences into **social welfare function** depends on individual redistributive tastes
- From political-economy standpoint, sustainability of redistributive programs may depend on individual perceptions of **trustworthiness and capability of institutions**

Understanding how people think about redistribution

- Remarkable stream of research **answering fundamental questions** for our understanding of public policy concerning inequality and redistribution
- Based on **innovative survey data** and experiments, and unique links with administrative data
- Benefits of understanding how people think about redistribution
 1. Learn about **'information set'** that individuals have when reasoning about public policies
 2. Identify **what factors matter most** in individual reasoning → people care about fairness
 3. Disentangle role of **(mis)perceptions of economic facts** vs. **value judgments** in shaping views around fairness
 4. Understand to what extent **better information** can actually affect perceptions and views
- Evidence on factors shaping preferences for redistribution (e.g. social position)

Role of aggregate economic shocks

- Hvidberg, Kreiner and Stantcheva (2021) document that positive/negative **idiosyncratic shocks** increase/decrease perceived fairness of inequality
- COVID-19 pandemic generated large inequalities across social and demographic groups, hurting some more than others (e.g. gender, age)
- Scale and scope of **aggregate shock** may have made unequal effects more salient to population as a whole
- At same time, governments faced major policy and political challenges which may have affected trust in institutions (Kuziemko et al., 2015)
- Can changes in **salience** of inequality trigger changes in preferences for redistribution?

Not just how much, but also what type of redistribution

- Views around fairness are key determinant of preferences for **how much** redistribution is believed to be optimal
- But could they also affect the **choice of redistributive tools**?
- Fairness appears to be important institutional tenet in European labor markets (Goldschmidt and Schmieder 2017; Saez, Schoefer, and Seim 2019)
- Labor market policy response to pandemic on two sides of the pond diametrically opposed in nature: **short-time work** vs. **unemployment insurance**
- Short-time work more equitable insurance tool, since **costs of recessions less concentrated** on small number of workers suffering large losses in income and other job-related benefits

Role of public policies

- Workhorse model of preference formation predicts that relatively poorer individuals demand more redistribution – hence a link between income and preferences (Meltzer and Richards, 1981)
- This assumes that **all individuals can (proportionally) benefit** from increased redistribution
- With limited resources, **eligibility** may be restricted to given subgroups on the basis of arbitrary rules, and **similar** individuals may end up having **unequal access** to welfare
- Can public policies **shape views** around fairness, redistribution and trustworthiness of institutions?
- More generally, is there a role for public policies and public service in **reducing misperceptions**?
E.g. fine public statistics, transparency-pay policies

Social economics surveys and experiments

- Use of large scale online surveys to understand how people think and form views around important economic and social phenomena
- Illuminates on aspects – such as preferences, knowledge, perceptions – that are not observable in other types of data
- **Radical innovation**, that **challenges** more traditional **methods, data and assumptions** in economics
 - Large scale administrative data
 - Revealed-preference or structural approaches
- Complementarity with other methods paves way for new avenues of research
- Last but not least...

A public good: the *Social Economics Lab*

Social Economics Lab

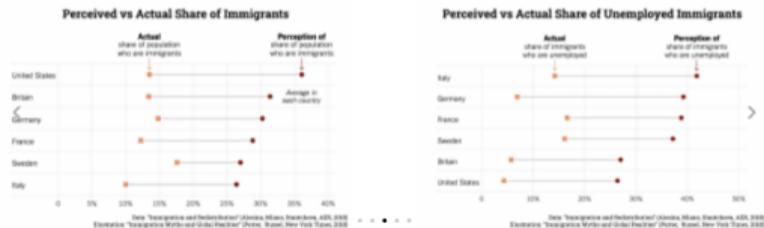
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SOCIAL ECONOMICS LAB

What we do...

We apply **large-scale online surveys** in many countries to understand how people think, how they form their perceptions, beliefs, and attitudes, and how their views on economic and social policies emerge. These Social Economics Surveys are rigorous research tools that can shed light on what is invisible in other data: **perceptions, beliefs, reasoning, attitudes, views, and detailed individual economic circumstances.**



Latest research : Understanding of Trade

This study highlights how people understand and reason about trade, and what factors shape their views on trade policy. The surveys aim to elicit respondents' knowledge and understanding of trade, their perceived economic gains and distributional impacts from it, and their views on trade restrictions and compensatory redistribution for those hurt by trade.

People's understanding of trade is imperfect and views are split on its efficiency and distributional effects. Respondents' own exposure to trade through their sector, occupation, skill, or local labor market shape their perceptions of the impacts of trade on themselves, but also on others and on the broader U.S. economy.