

Attitudes, Redistribution, and Policy

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Attitudes to inequality and redistribution

Privilege to participate in this session

Important research theme in different subfields

- ▶ motivations and approaches differ
- ▶ many hypotheses and suggested drivers

Motivations and approaches

Microeconomics/experimental economics

- ▶ explain private actions, yielding or limiting unequal outcomes
- ▶ evaluate individual, often strategic, behavior, against model predictions often with experiments

Macroeconomics/political economics

- ▶ explain inequality and redistributive public policies across societies or time
- ▶ evaluate aggregate outcomes against model predictions, and patterns in observational data

Public economics (not optimal taxation)

- ▶ explain drivers of individual attitudes
- ▶ more inductive, based on survey questions and experiments

Each (invited) speaker key contributor to one approach

Suggested drivers of attitudes to redistribution

Some version of perceived costs and benefits

- ▶ general – e.g., benefits based on position in income distribution and deadweight costs of revenue
- ▶ group-specific benefits – based e.g., on traits (demography, sector, geography) or identity (working class, nationalist)
- ▶ benefits based on social preferences – e.g., altruism or inequality aversion
- ▶ costs (or benefits) based on beliefs in how the world works (ideology) – e.g., how much earnings reflect effort vs. luck

My brief comments

- ▶ offer some remarks on each of Fehr and Bénabou
- ▶ sneak in hint or two on Stancheva's work
- ▶ suggest some intellectual arbitrage

A few comments on Fehr

Links to human history and small scale societies?

Role of that part of argument a bit unclear

- ▶ perhaps tries to say initial conditions matter, and cultural-biological evolution help determine values and propensity to sanction norm-breakers?
- ▶ if so, should perhaps focus also on understanding differences, not just commonalities, across societies in Henrich et al (of course, $N = 15$ makes this hard)

Multiple social-preferences (value) types

Experimental representative surveys in DEN and SWI

- ▶ suggest two types of social preferences – "altruism" and "inequality aversion" – coexist with "selfish" preferences in roughly equal proportions
- ▶ nice approach to identifying heterogeneous values
- ▶ consistent with experimental results on varying propensity to sanction – can we test values/sanctions link more directly?
- ▶ if believes in cultural evolution (as Fehr), results on multiple values suggest interior equilibrium of evolutionary dynamics

Social preferences predict Swiss referenda votes

Interesting findings – smell of macro approach

- ▶ nice attempt to link micro measurement of social preferences to actual policy choices

Model-consistent and quantitatively significant results

- ▶ in line with modified Meltzer-Richards model
- ▶ effect of social preferences comparable to income

Different drivers of redistributive attitudes interact

- ▶ inequality aversion and altruism matter chiefly for people with above-median income – interesting allow for such interactions

Another interesting interaction

Belief in importance of effort vs. luck

- ▶ expected negative effect on desire to redistribute *only* for people with social preferences
- ▶ Fehr interpretation: social preferences a *precondition* for beliefs to matter

Why not correlated, rather than causally ordered?

- ▶ if cultural evolution purposeful, young will pick up both beliefs about how world works and values
- ▶ similarly, theory may yield sharper hypotheses on who hold which values and who follow norms to support actions consistent with those values

A few comments on Bénabou

Key insights on beliefs about how world works

Especially about social mobility and drivers of income

- ▶ beliefs – in particular, motivated (collective) beliefs – may not just drive individual decisions
- ▶ beliefs in high (low) importance of effort vs. luck may be complementary with low (high) redistributive tax outcomes, leading to two-way feedbacks
- ▶ multiple steady states: interesting perspective on redistribution in US vs. Europe

How do such beliefs come about?

- ▶ informal arguments point to purposeful cultural evolution: "invest in such beliefs"; "stubbornly ... pass them on to children"
- ▶ prospective gains from explicitly modeling this process

Conceptual: beliefs vary across *both* groups and societies

How would cultural-evolution (belief-formation) models work?

- ▶ predictions consistent with Stantcheva's stark results on "polarized realities" in same society?
- ▶ advantaged, disadvantaged groups – rich vs. poor, white vs. black, native vs. immigrant, Republican vs. Democrat – hold very different beliefs about how the world works (QJE 2021 Understanding Tax Policy; papers with Alesina and others)
- ▶ cultural evolution would have to be group-specific and run in different directions (or from very different initial points)
- ▶ evaluate these predictions for beliefs with micro data – such as rich data used by Stantcheva

Methodological: steady states vs. explicit dynamics

Bénabou's key papers focus on former

- ▶ latter would not just produce same qualitative predictions
- ▶ may also yield auxiliary predictions about belief patterns
- ▶ suppose US and Europe have indeed settled on different (average) steady-state beliefs
- ▶ if beliefs and redistributive policy complementary – and motivated beliefs sticky – we should see opposite-sloping time gradients for policy, and for cross-cohort belief profiles
- ▶ again, this suggests going to micro data – own surveys, or those from WVS and similar sources

Short summary

Scope for two-directional arbitrage on attitudes to redistribution

- ▶ extend predictions from microeconomic approach to questions of macroeconomic relevance
- ▶ derive predictions about heterogeneity from macroeconomic approach and test with micro data

Some approaches can be common tools in such arbitrage

- ▶ I have suggested looking at dynamics of values or beliefs through the lens of cultural-evolution models