

Understanding Tax Policy: How Do People Reason?

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How Do People Understand and Reason about Economic Policies?

What are the **mental models** people use to think about tax policy?

What do they **know**? How do they **reason**?

Desired tax policy =

$f(\text{perceived efficiency effects, perceived distributional impacts, fairness considerations, } X_1, X_2, \dots)$

Why is understanding reasoning important?

Advantages of a more structural approach to policy views, over reduced-form approach.

Heterogeneity (even if same overall policy view). Where does disagreement lie?

Identifying (correctable) gaps in knowledge or inconsistent reasoning.

Where is intervention needed versus not (e.g.: misperception of distributional impacts vs. fairness concerns)?

Can we improve the policy debate with better understanding of economic policies?

Method: Large-scale Social Economics Surveys and Experiments

Surveys are a key tool:

Some things can not be seen in other data, no matter how good it is: Perceptions, attitudes, knowledge, views.

Revealed preference with observational data has limits (data and assumptions required).

Unlike old-style surveys (that measure variables now better captured in admin data).

New generation surveys: Customizable, controllable, interactive. [▶ Details](#)

Social Economics Lab <http://socialeconomicslab.org>

Here: \approx 2,000 respondents per survey, broadly representative of the U.S., done through commercial survey companies in Jan -September 2019 (COVID-19 follow-up). [▶ Details](#)

A Broader Agenda

This talk: income and estate taxes.

Additional papers on i) health insurance, ii) trade policy, iii) macro policies, iv) climate change & environmental policies

Website: understandingeconomics.org

where you can browse all responses, by groups and topics.

Structure: A Decomposition of Tax Policy Views

Redistributive benefits

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1. Distributional impacts

Mechanical impacts

Spillovers (e.g.: “trickle down”)

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Behavioral distortions (labor supply, moving states, savings, evasion/avoidance, etc.)

& Broader efficiency effects.

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Views of Government (trust, responsibility, role)

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Modulating factors: e.g.: what is the revenue spent on?

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Survey Outline

Background of respondent:

Gender, age, income, education, family situation, political views, media exposure.

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Open-ended questions:

Main considerations?; Goals of 'good' system?; Shortcomings?

Goal: identify first order concerns.

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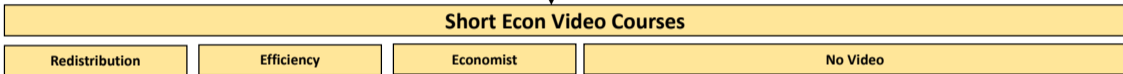
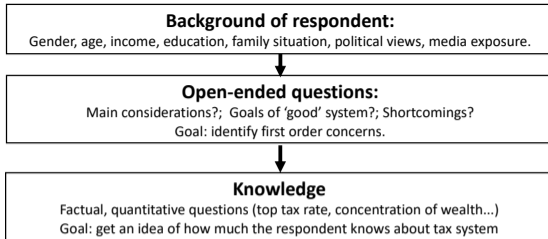
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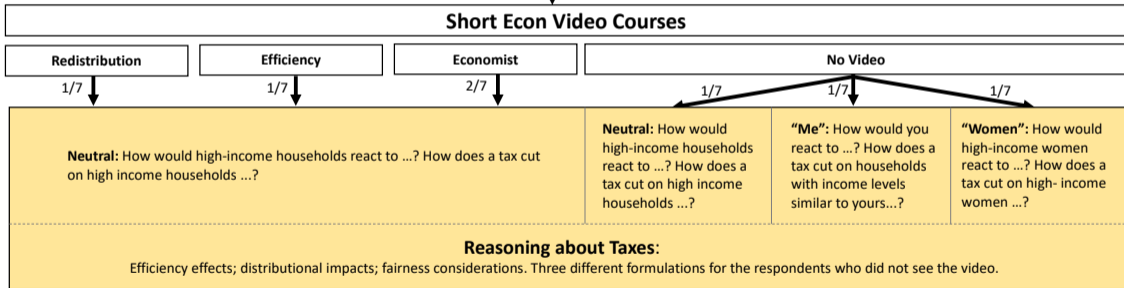
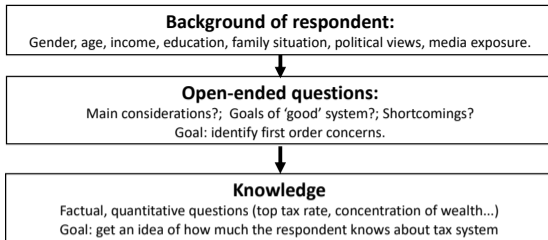


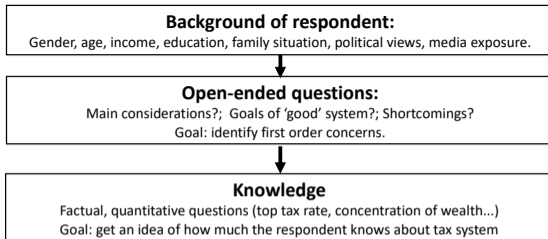
Knowledge

Factual, quantitative questions (top tax rate, concentration of wealth...)

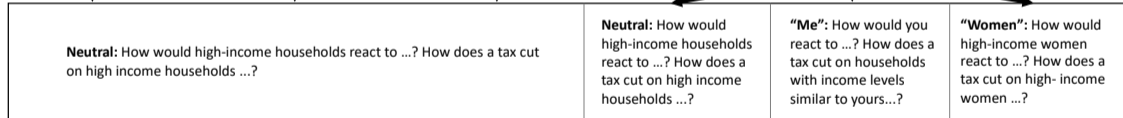
Goal: get an idea of how much the respondent knows about tax system



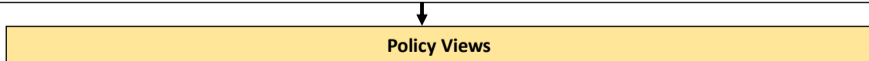


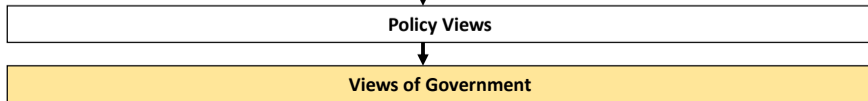
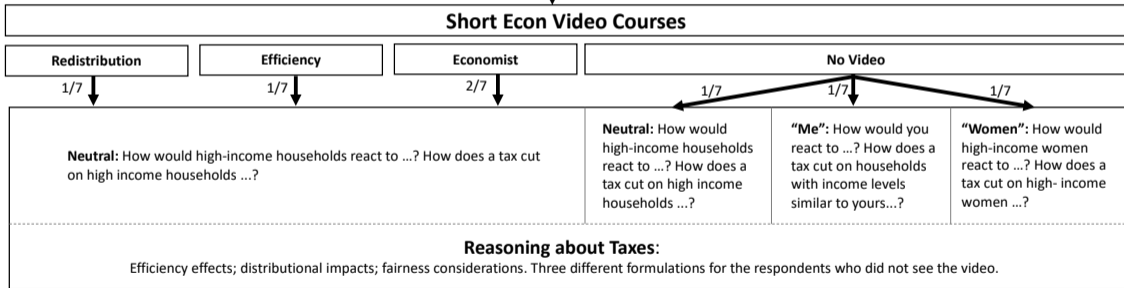
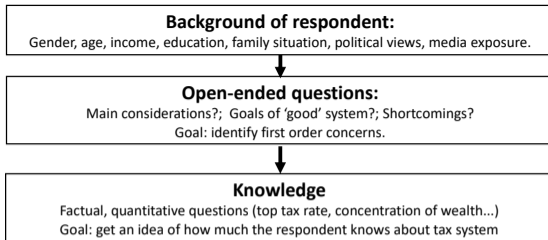


Short Econ Video Courses



Reasoning about Taxes:
Efficiency effects; distributional impacts; fairness considerations. Three different formulations for the respondents who did not see the video.





Outline of this Talk

1. First-Order Considerations: Text Analysis of Open-Ended Questions
2. Knowledge and Misperceptions
3. Reasoning about Taxes (Efficiency, Distribution, & Fairness)
4. Putting it All Together: Views on Tax Policies
5. Treatment Effects of Video Courses

Main Findings

Key factor driving support (or lack thereof): **Fairness & the benefits of redistribution**, followed by **views on the government**.

Efficiency concerns play a more minor role in people's minds.

Causal effect confirmed with experiment.

But Fairness is in the eye of the beholder!

Partisan divergences are large: in policy views, but also in reasoning about underlying mechanisms.

Democrats: more likely to believe that taxes have less economic costs, that tax cuts almost never “pay for themselves” & that people will not starkly change behaviors in response to tax increases...

that “trickle-down” doesn't happen, that distributions of income, wealth & inheritances are unfair & that taxing away parts of them is fair.

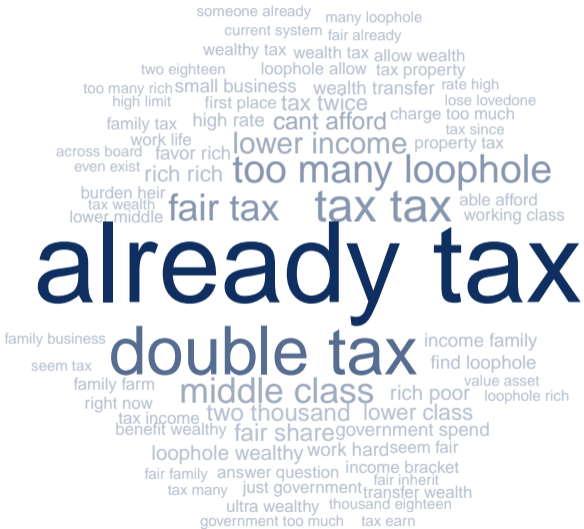
“Polarization of Reality” even in tax knowledge/perceptions (facts).

Related Literature

- Misperceptions of Economic Variables:** Blinder and Krueger (2004); Norton and Ariely (2011); Niehues (2014); Gimpelson and Treisman (2018); Hauser and Norton (2017); Kraus, Rucker and Richeson (2017); Alesina, Stantcheva and Teso (2018).
- Misunderstanding of Taxes:** De Bartolome (1995); Bartels (2005); Slemrod (2006); Chetty, Friedman, and Saez (2013); Feldman *et al.* (2016); Gideon (2017); Ballard *et al.* (2018); Rees-Jones and Taubinsky (2018);
- Preferences for Redistribution:** Alesina and Angeletos (2005); Cruces, Perez-Truglia, and Tetaz (2013); Yamamura (2014); Karadja *et al.* (2017); Ballard-Rosa, Martin, and Scheve (2017); Fernández-Albertos and Kuo (2018); Engelhardt and Wagener (2018).
- Views of Economists vs. the Public:** Blendon et al. (1997); Fuchs, Krueger, and Poterba (1998); Sapienza and Zingales (2013).
- Lab Experiments and Information Treatments:** Engelmann and Strobel (2004); Sides (2011); Chetty and Saez (2013); Durante, Putterman, van der Weele (2014); Klor and Shayo (2010); Kuziemko, Norton, Saez, and Stantcheva (2015); Di Tella, Dubra, and Lagomarsino (2016); Boudreau and MacKenzie (2018); Peyton (2020).

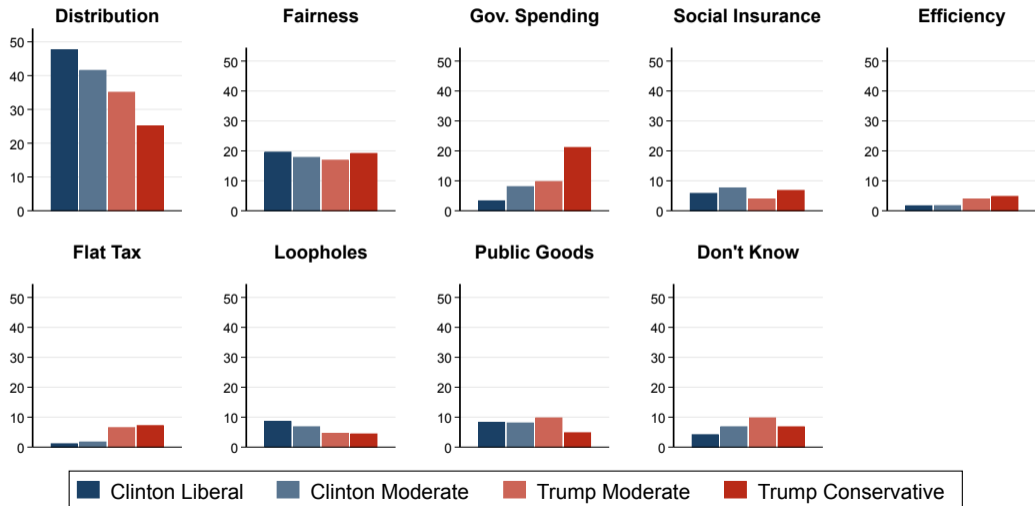
First-Order Considerations: Text Analysis of Open-Ended Questions

What are the Shortcomings of the U.S. Federal Estate Tax?



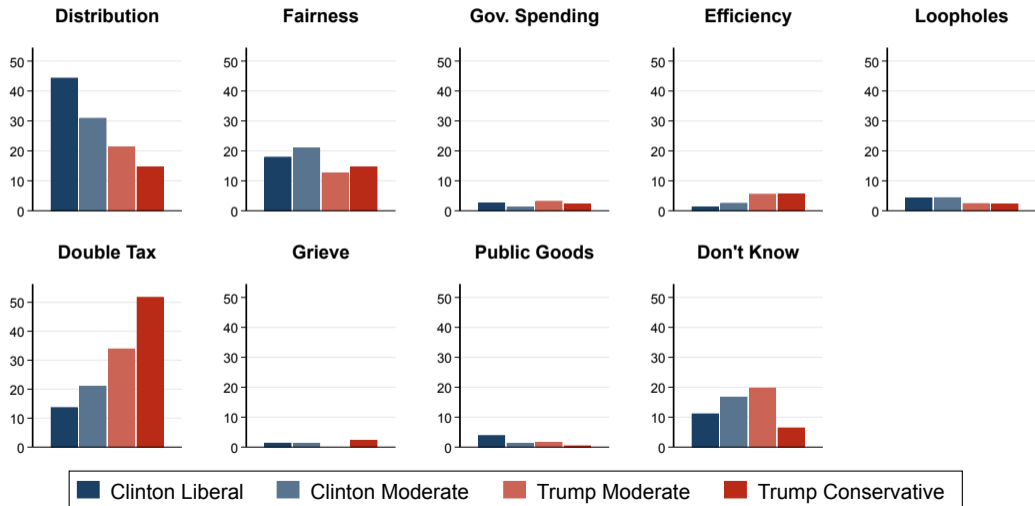
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Relative Frequency of Topics by Political Views



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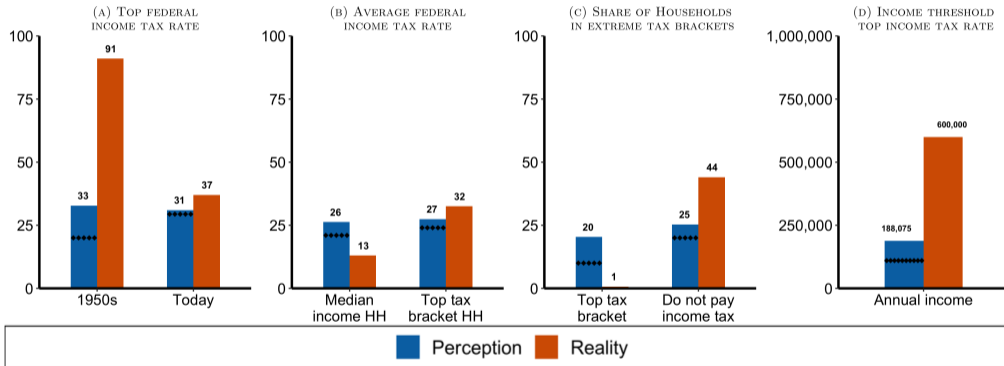


Topic Analysis: Keywords for the Main Topics Identified

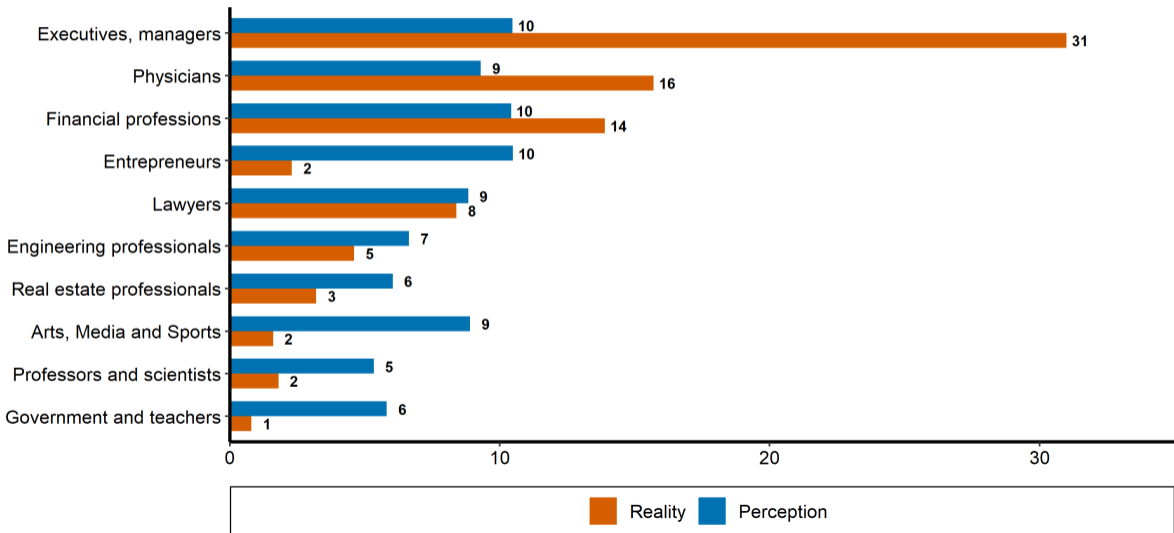
Distribution:	Middle class; working class; low income; wealthy; millionaire; rich; billionaire; corporations & pay/tax
Fairness:	Fair; unfair
Gov. Spending:	Government spending & high; government spending & cut; deficit; debt; government & waste; balance & budget; government & budget; government & control & spend
Social 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; negative/detrimental/destroy/damage & economy; competition; innovation; cr
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
Double Tax:	Already taxed/paid; twice & tax/pay
Grieve :	Grieve; bury; funeral

Knowledge and Misperceptions

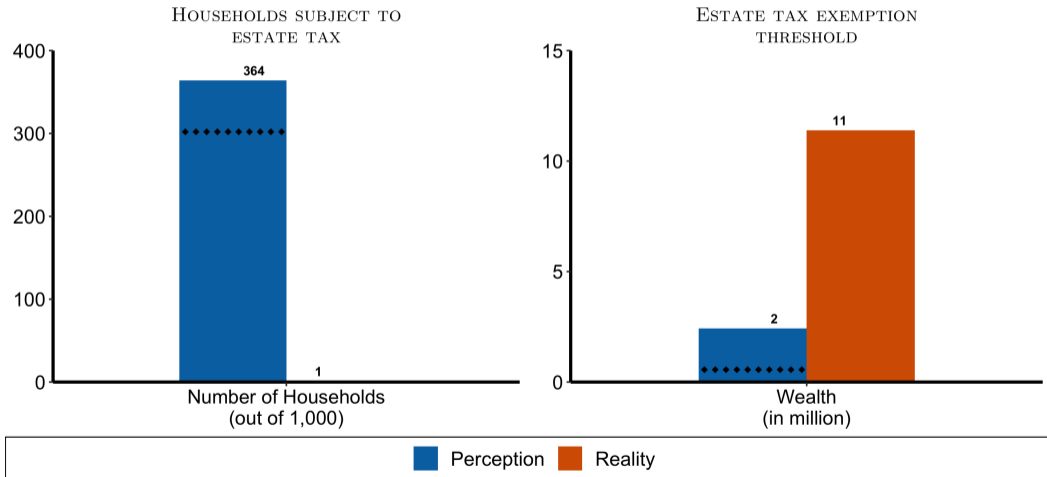
People believe top bracket starts much lower, compress extremes, and “schmedule”



Perceived Composition of the Top 1%: so many entrepreneurs, scientists, government, arts, media & sports!



People greatly overestimate share of households who pay the estate tax & underestimate exemption threshold



Who Knows More?

Republicans tend to view taxes as higher and more progressive than Democrats (the “Polarization of Reality”).

Higher-income respondents more aware of what’s going on at the top.

Those with more self-reported knowledge: more accurate, and also more willing to pay for information.

Misperceptions about the Income Tax

	Misperception index	Top tax rate in today	Top tax rate the 50s	Share of income paid in taxes by median households	Share of income paid in taxes in top bracket	Share of households in top bracket	Share of households not paying income taxes	Top tax threshold	Share of US income owned by top 1%	Willingness to pay randomized amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Republican	0.10*** (0.02)	3.74*** (0.84)	-2.52* (1.38)	1.46* (0.80)	6.15*** (0.88)	3.24*** (1.03)	5.97*** (0.98)	-8,600 (8,900)	-7.72*** (1.41)	-0.08*** (0.02)
High-Income	-0.04** (0.02)	0.23 (0.84)	1.32 (1.39)	-0.00 (0.80)	0.15 (0.89)	-1.76* (1.04)	0.08 (0.98)	60,000*** (9,000)	-2.32 (1.41)	0.01 (0.02)
Self reported knowledge	-0.03** (0.02)	2.78*** (0.76)	8.29*** (1.26)	2.39*** (0.73)	3.70*** (0.81)	-0.11 (0.94)	5.38*** (0.89)	24,000*** (8,200)	5.53*** (1.28)	0.07*** (0.02)
College degree	-0.10*** (0.02)	0.93 (0.72)	6.12*** (1.19)	-0.41 (0.69)	0.78 (0.76)	-4.94*** (0.89)	0.40 (0.85)	39,000*** (7,700)	6.52*** (1.22)	0.04** (0.02)
Actual value		37	91	13	32.7	0.73	44	600,000	20	
Average perception	0.0	31	33	26.3	27.4	20.3	25.3	188,000	44.7	0.37
Observations	2783	2779	2779	26.3	2777	2762	2779	2651	2780	2783

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High-Income	-0.08*** (0.02)	-0.16 (1.06)	0.80 (1.25)	1.94 (1.25)	-1.81 (1.23)	-42.81*** (15.65)	1,100,000*** (185,000)	1.81 (2.75)	-0.35 (1.00)	0.02 (0.03)
Self reported knowledge	-0.08*** (0.02)	4.03*** (0.97)	6.48*** (1.15)	3.32*** (1.14)	1.74 (1.13)	5.81 (14.34)	790,000*** (170,000)	-0.98 (2.50)	0.74 (0.91)	0.11*** (0.02)
College degree	-0.12*** (0.02)	0.00 (0.92)	4.33*** (1.08)	1.22 (1.08)	2.23** (1.07)	-50.69*** (13.57)	820,000*** (160,000)	8.65*** (2.38)	-2.82*** (0.86)	0.05** (0.02)
Actual value		40	77	55	≈ 50	0.7	11,400,000	41.8	2.5	
Average perception	0.00	33	29	45.7	41.9	364.1	2,400,000	49.1	12.5	0.40
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Republican	0.10*** (0.02)	3.74*** (0.84)	-2.52* (1.38)	1.46* (0.80)	6.15*** (0.88)	3.24*** (1.03)	5.97*** (0.98)	-8,600 (8,900)	-7.72*** (1.41)	-0.08*** (0.02)
High-Income	-0.04** (0.02)	0.23 (0.84)	1.32 (1.39)	-0.00 (0.80)	0.15 (0.89)	-1.76* (1.04)	0.08 (0.98)	60,000*** (9,000)	-2.32 (1.41)	0.01 (0.02)
Self reported knowledge	-0.03** (0.02)	2.78*** (0.76)	8.29*** (1.26)	2.39*** (0.73)	3.70*** (0.81)	-0.11 (0.94)	5.38*** (0.89)	24,000*** (8,200)	5.53*** (1.28)	0.07*** (0.02)
College degree	-0.10*** (0.02)	0.93 (0.72)	6.12*** (1.19)	-0.41 (0.69)	0.78 (0.76)	-4.94*** (0.89)	0.40 (0.85)	39,000*** (7,700)	6.52*** (1.22)	0.04** (0.02)
Actual value		37	91	13	32.7	0.73	44	600,000	20	
Average perception	0.0	31	33	26.3	27.4	20.3	25.3	188,000	44.7	0.37
Observations	2783	2779	2779	26.3	2777	2762	2779	2651	2780	2783

Misperceptions about the Estate Tax

	Misperception index	Estate tax rate today	Estate tax rate in the 50s	% of estates unrealized capital gains	% Wealth inherited	No. households out 1,000 paying estate tax	Exemption threshold	Share of wealth owned by top 1%	Share of wealth owned by bottom 50%	Willingness to pay randomized amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Republican	0.11*** (0.02)	-0.54 (1.05)	-3.51*** (1.24)	-4.92*** (1.24)	-2.96** (1.22)	16.15 (15.53)	-490,000*** (180,000)	-7.13** (2.79)	1.64 (1.01)	-0.02 (0.02)
High-Income	-0.08*** (0.02)	-0.16 (1.06)	0.80 (1.25)	1.94 (1.25)	-1.81 (1.23)	-42.81*** (15.65)	1,100,000*** (185,000)	1.81 (2.75)	-0.35 (1.00)	0.02 (0.03)
Self reported knowledge	-0.08*** (0.02)	4.03*** (0.97)	6.48*** (1.15)	3.32*** (1.14)	1.74 (1.13)	5.81 (14.34)	790,000*** (170,000)	-0.98 (2.50)	0.74 (0.91)	0.11*** (0.02)
College degree	-0.12*** (0.02)	0.00 (0.92)	4.33*** (1.08)	1.22 (1.08)	2.23** (1.07)	-50.69*** (13.57)	820,000*** (160,000)	8.65*** (2.38)	-2.82*** (0.86)	0.05** (0.02)
Actual value		40	77	55	≈ 50	0.7	11,400,000	41.8	2.5	
Average perception	0.00	33	29	45.7	41.9	364.1	2,400,000	49.1	12.5	0.40
Observations	2360	2350	2335	2354	2357	2357	2357	2357	2357	2360

Misperceptions about the Income Tax

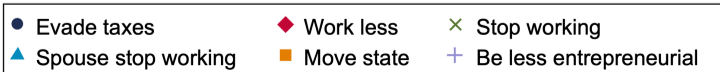
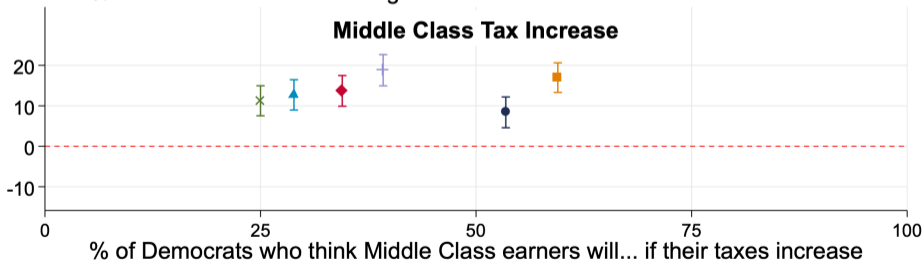
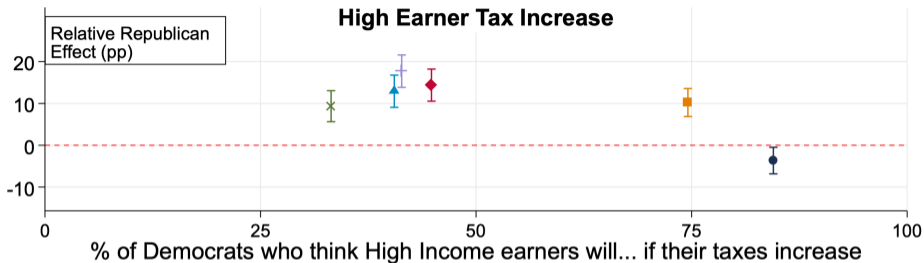
	Misperception index	Top tax rate in today	Top tax rate the 50s	Share of income paid in taxes by median households	Share of income paid in taxes in top bracket	Share of households in top bracket	Share of households not paying income taxes	Top tax threshold	Share of US income owned by top 1%	Willingness to pay randomized amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Republican	0.10*** (0.02)	3.74*** (0.84)	-2.52* (1.38)	1.46* (0.80)	6.15*** (0.88)	3.24*** (1.03)	5.97*** (0.98)	-8,600 (8,900)	-7.72*** (1.41)	-0.08*** (0.02)
High-Income	-0.04** (0.02)	0.23 (0.84)	1.32 (1.39)	-0.00 (0.80)	0.15 (0.89)	-1.76* (1.04)	0.08 (0.98)	60,000*** (9,000)	-2.32 (1.41)	0.01 (0.02)
Self reported knowledge	-0.03** (0.02)	2.78*** (0.76)	8.29*** (1.26)	2.39*** (0.73)	3.70*** (0.81)	-0.11 (0.94)	5.38*** (0.89)	24,000*** (8,200)	5.53*** (1.28)	0.07** (0.02)
College degree	-0.10*** (0.02)	0.93 (0.72)	6.12*** (1.19)	-0.41 (0.69)	0.78 (0.76)	-4.94*** (0.89)	0.40 (0.85)	39,000*** (7,700)	6.52*** (1.22)	0.04** (0.02)
Actual value		37	91	13	32.7	0.73	44	600,000	20	
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Observations	2783	2779	2779	26.3	2777	2762	2779	2651	2780	2783

Misperceptions about the Estate Tax

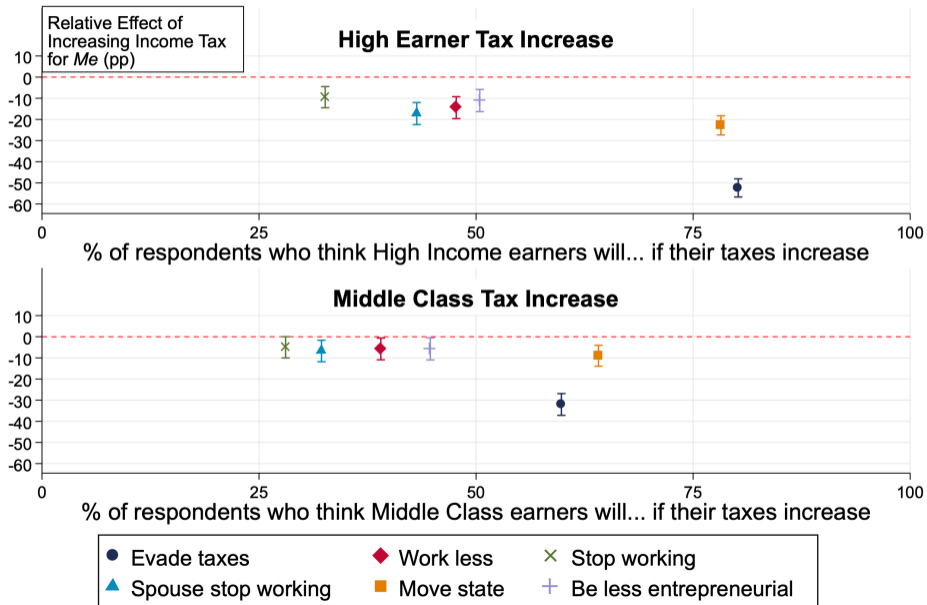
	Misperception index	Estate tax rate today	Estate tax rate in the 50s	% of estates unrealized capital gains	% Wealth inherited	No. households out 1,000 paying estate tax	Exemption threshold	Share of wealth owned by top 1%	Share of wealth owned by bottom 50%	Willingness to pay randomized amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Republican	0.11*** (0.02)	-0.54 (1.05)	-3.51*** (1.24)	-4.92*** (1.24)	-2.96** (1.22)	16.15 (15.53)	-490,000*** (180,000)	-7.13** (2.79)	1.64 (1.01)	-0.02 (0.02)
High-Income	-0.08*** (0.02)	-0.16 (1.06)	0.80 (1.25)	1.94 (1.25)	-1.81 (1.23)	-42.81*** (15.65)	1,100,000*** (185,000)	1.81 (2.75)	-0.35 (1.00)	0.02 (0.03)
Self reported knowledge	-0.08*** (0.02)	4.03*** (0.97)	6.48*** (1.15)	3.32*** (1.14)	1.74 (1.13)	5.81 (14.34)	790,000*** (170,000)	-0.98 (2.50)	0.74 (0.91)	0.11*** (0.02)
College degree	-0.12*** (0.02)	0.00 (0.92)	4.33*** (1.08)	1.22 (1.08)	2.23** (1.07)	-50.69*** (13.57)	820,000*** (160,000)	8.65*** (2.38)	-2.82*** (0.86)	0.05** (0.02)
Actual value		40	77	55	≈ 50	0.7	11,400,000	41.8	2.5	
Average perception	0.00	33	29	45.7	41.9	364.1	2,400,000	49.1	12.5	0.40
Observations	2360	2350	2335	2354	2357	2357	2357	2357	2357	2360

Reasoning about Taxes

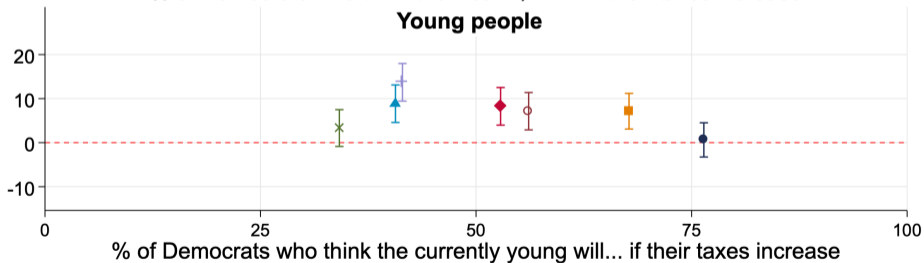
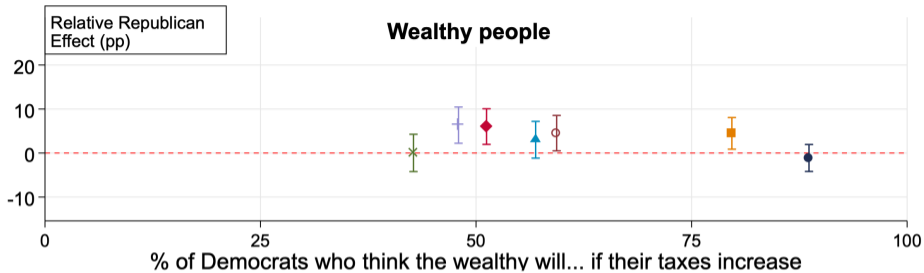
Would a Higher Income Tax Encourage the Following? - By Political View



Would a Higher Income Tax Encourage the Following? Me vs. Everyone Else



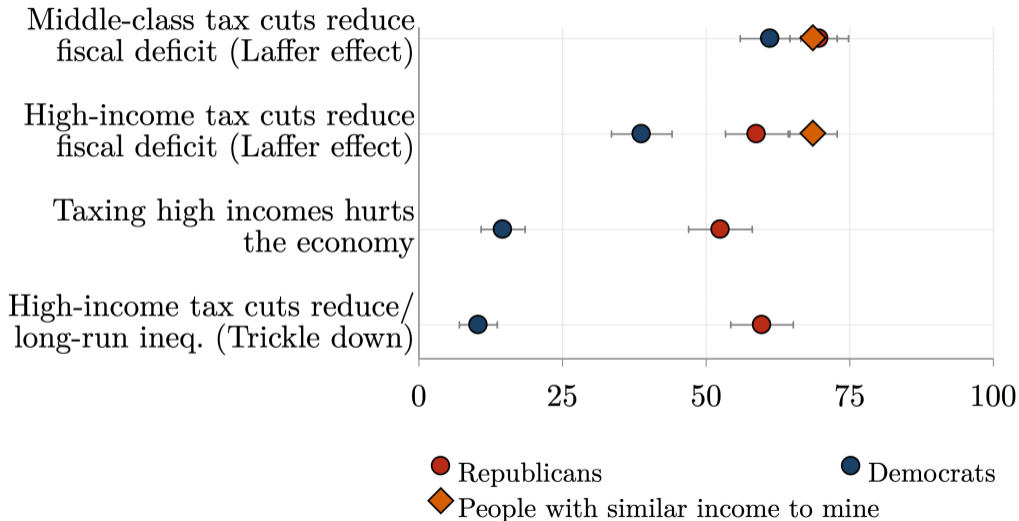
Would a Higher Estate Tax Encourage the Following? - By Political View



Would a Higher Estate Tax Encourage the Following? Me vs. Everyone Else



Broader Efficiency and Spillover Effects of the Income Tax



Distributional Effects of Income and Estate Taxes

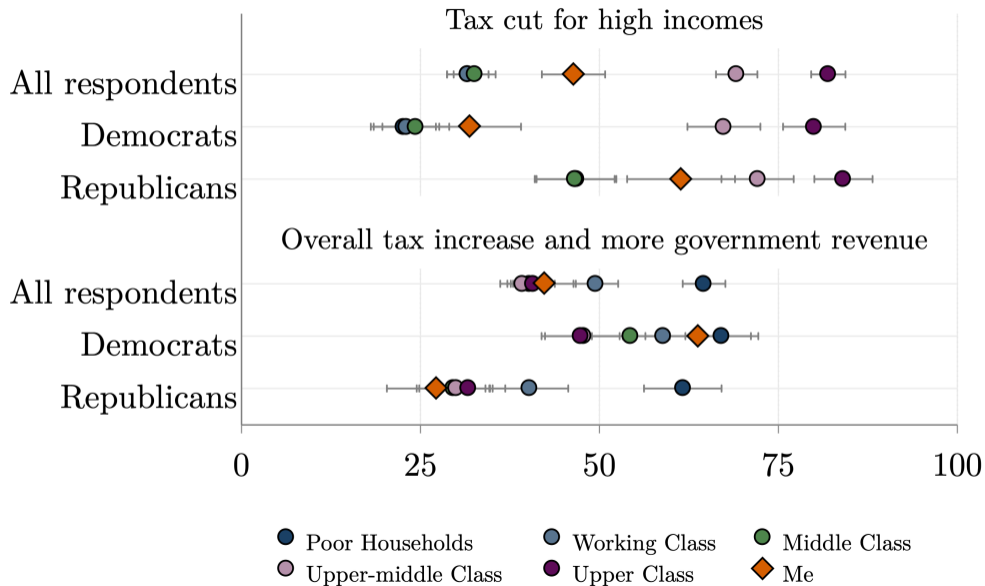
If taxes cut for high incomes: Republicans believe more than Democrats that lower-incomes will also gain.

If overall taxes are raised, Republicans believe more than Democrats that everyone will lose.

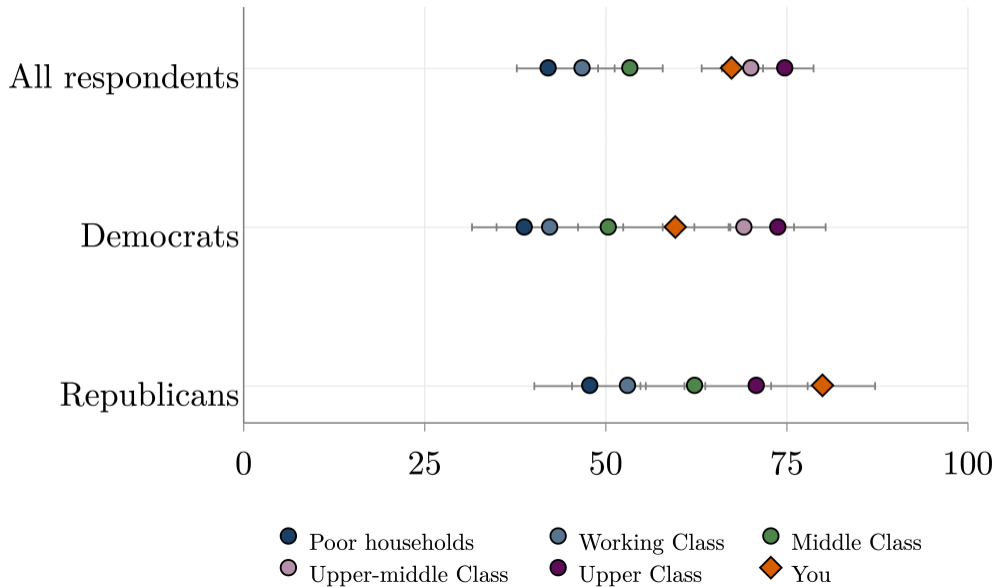
Republicans perceive their own gains and losses from tax cuts (income or estate tax) as more similar to those of high incomes than Democrats do. [▶ Chart](#)

Consistent with Republicans perceiving their own social class as higher, even conditional on income.

Distributional Effects: Would the following Groups/You Win from These Tax Changes?



Would the following Groups/You Win if the Estate Tax Were Cut?



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 very thorny fairness issues depending on whether take children or parents' perspective.

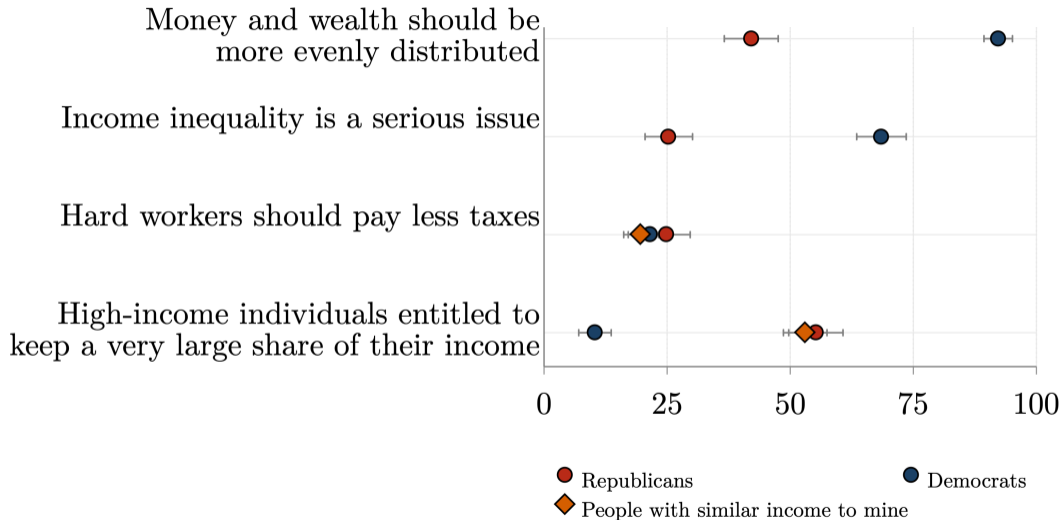
If take point of view of children: Many agree unfair children have access to better amenities if born in rich families and, to a lesser extent, that unfair children born in wealthier families inherit more.

Still, partisan gap is large. [▶ Chart](#)

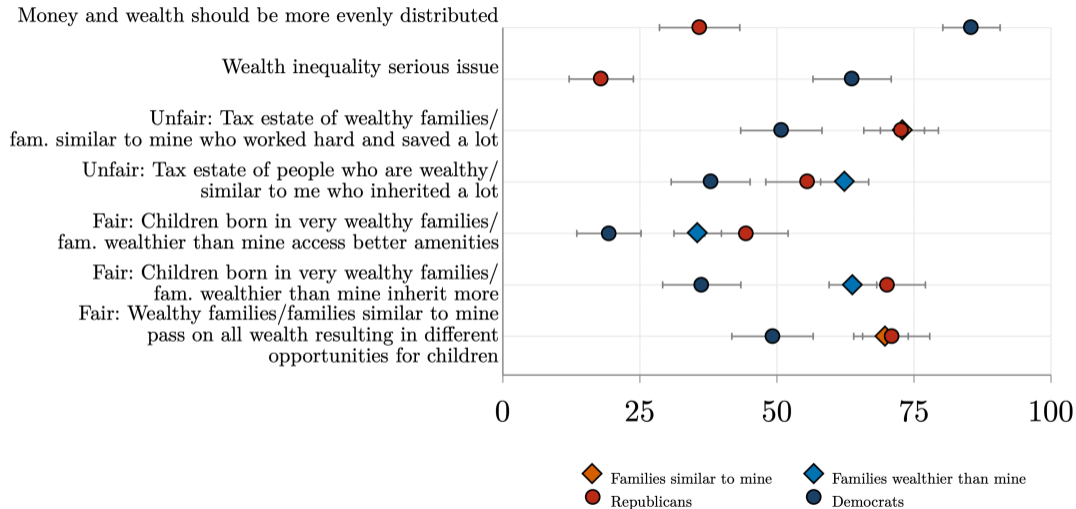
But if we focus on trade-off between parents being entitled to pass on their wealth versus children being entitled to start with equal opportunities, views quite split even within political views.

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

Fairness Considerations on the Income Tax



Fairness Considerations on the Estate Tax



Classifying Respondents by Policy Views on the Income Tax

Latent Dirichlet Allocation (LDA)

Profile I: Unfair system; highlights inequalities; pro-redistribution

- A person is wealthy because she or he had more advantages than others.
- The money and wealth in this country should be more evenly distributed among a larger percentage of the people.
- The share of total U.S. income that goes to the top 1% in the U.S. increased a lot over the past 30 years.
- The federal income tax policy has very important direct effects on my own life.
- People with higher incomes pay a lower share of their income in taxes than those with lower incomes.

Profile II: Fair system; downplays inequalities

- A person is wealthy because she or he worked harder than others
- The share of total U.S. income that goes to the top 1% in the U.S. increased somewhat over the past 30 years.
- The government has some ability/tools to reduce income differences between rich and poor people.
- People with higher incomes pay a higher share of their income in taxes than those with lower incomes
- The federal income tax policy has some direct effects on my own life.

Share of Republicans of type II: 66% vs Share of Democrats of type II: 29%

Share of High Incomes of type II: 50% vs Share of Low Incomes of type II: 44%

Classifying Respondents by Policy Views on the Estate Tax

Profile I: Not concerned by estate tax system; highlight inequalities

- I do not feel personally affected by the federal estate tax.
- There should be a federal estate tax in the US.
- The money and wealth in this country should be more evenly distributed among a larger percentage of the people.
- A person is wealthy because she or he had more advantages than others.
- Not every individual's estate is subject to the federal estate tax at death.
- The share of total U.S. income that goes to the top 1% in the US increased a lot over the past 30 years.

Profile II: Concerned by estate tax system; unfair system

- The federal estate tax is mostly taxing assets that have already been taxed and thus leads to "double taxation."
- I do not know what the stepped-up cost basis at death is.
- Every individual's estate is subject to the federal estate tax at death.
- There should not be a federal estate tax in the US.
- I am dissatisfied with the current U.S. federal estate tax system.
- The current U.S. federal estate tax system is unfair.

Share of Republicans of type II: 71% vs Share of Democrats of type II: 32%

Share of High Incomes of type II: 51% vs Share of Low Incomes of type II: 46%

Putting it All Together: Views on Tax Policies

Recall: A Decomposition of Tax Policy Views

Redistributive benefits

1. Distributional impacts

Mechanical impacts

Spillovers (e.g.: “trickle down”)

2. Fairness concerns

Efficiency effects:

Behavioral distortions (labor supply, moving states, savings, evasion/avoidance, etc.)

& Broader efficiency effects.

Knowledge & Misperceptions

Views of Government

Modulating factors

A Decomposition of Policy Views: Underlying Reasoning

	Income tax fair (1)	Satisfied income tax (2)	Progressive tax important tool to ↓ inequality (3)	Support ↑ taxes on high incomes to expand programs for low-incomes (4)	Government responsible to increase investment (5)	Government responsible to ↓ inequality (6)
Republican	0.17*** (0.02)	0.17*** (0.02)	-0.11*** (0.02)	-0.18*** (0.02)	0.01 (0.03)	-0.16*** (0.02)
Misperception index	0.16*** (0.02)	0.17*** (0.02)	0.02 (0.02)	0.01 (0.02)	-0.05** (0.02)	0.05** (0.02)
Efficiency index	0.02 (0.02)	0.03* (0.01)	-0.03** (0.01)	0.02 (0.01)	0.03* (0.02)	0.04*** (0.01)
Redistribution index	-0.18*** (0.02)	-0.17*** (0.02)	0.28*** (0.02)	0.32*** (0.02)	0.13*** (0.02)	0.23*** (0.02)
Government trust index	0.11*** (0.01)	0.10*** (0.01)	0.16*** (0.01)	0.19*** (0.01)	0.12*** (0.01)	0.21*** (0.01)

► Additional Outcomes

A Decomposition of Policy Views: Underlying Reasoning

	Income tax fair (1)	Satisfied income tax (2)	Progressive tax important tool to ↓ inequality (3)	Support ↑ taxes on high incomes to expand programs for low-incomes (4)	increase investment (5)	Government responsible to ↓ inequality (6)
Republican	0.17*** (0.02)	0.17*** (0.02)	-0.11*** (0.02)	-0.18*** (0.02)	0.01 (0.03)	-0.16*** (0.02)
Misperception index	0.16*** (0.02)	0.17*** (0.02)	0.02 (0.02)	0.01 (0.02)	-0.05** (0.02)	0.05** (0.02)
Efficiency index	0.02 (0.02)	0.03* (0.01)	-0.03** (0.01)	0.02 (0.01)	0.03* (0.02)	0.04*** (0.01)
Redistribution index	-0.18*** (0.02)	-0.17*** (0.02)	0.28*** (0.02)	0.32*** (0.02)	0.13*** (0.02)	0.23*** (0.02)
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► Additional Outcomes

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Misperception index	0.16*** (0.02)	0.17*** (0.02)	0.02 (0.02)	0.01 (0.02)	-0.05** (0.02)	0.05** (0.02)
Efficiency index	0.02 (0.02)	0.03* (0.01)	-0.03** (0.01)	0.02 (0.01)	0.03* (0.02)	0.04*** (0.01)
Redistribution index	-0.18*** (0.02)	-0.17*** (0.02)	0.28*** (0.02)	0.32*** (0.02)	0.13*** (0.02)	0.23*** (0.02)
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Misperception index	0.16*** (0.02)	0.17*** (0.02)	0.02 (0.02)	0.01 (0.02)	-0.05** (0.02)	0.05** (0.02)
Efficiency index	0.02 (0.02)	0.03* (0.01)	-0.03** (0.01)	0.02 (0.01)	0.03* (0.02)	0.04*** (0.01)
Redistribution index	-0.18*** (0.02)	-0.17*** (0.02)	0.28*** (0.02)	0.32*** (0.02)	0.13*** (0.02)	0.23*** (0.02)
Government trust index	0.11*** (0.01)	0.10*** (0.01)	0.16*** (0.01)	0.19*** (0.01)	0.12*** (0.01)	0.21*** (0.01)

► Additional Outcomes

A Decomposition of Policy Views: Underlying Reasoning

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Misperception index	0.16*** (0.02)	0.17*** (0.02)	0.02 (0.02)	0.01 (0.02)	-0.05** (0.02)	0.05** (0.02)
Efficiency index	0.02 (0.02)	0.03* (0.01)	-0.03** (0.01)	0.02 (0.01)	0.03* (0.02)	0.04*** (0.01)
Redistribution index	-0.18*** (0.02)	-0.17*** (0.02)	0.28*** (0.02)	0.32*** (0.02)	0.13*** (0.02)	0.23*** (0.02)
Government trust index	0.11*** (0.01)	0.10*** (0.01)	0.16*** (0.01)	0.19*** (0.01)	0.12*** (0.01)	0.21*** (0.01)

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A Decomposition of Policy Views: Underlying Reasoning

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Misperception index	0.16*** (0.02)	0.17*** (0.02)	0.02 (0.02)	0.01 (0.02)	-0.05** (0.02)	0.05** (0.02)
Efficiency index	0.02 (0.02)	0.03* (0.01)	-0.03** (0.01)	0.02 (0.01)	0.03* (0.02)	0.04*** (0.01)
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► Additional Outcomes

A Decomposition of Policy Views: Underlying Reasoning

	Estate tax system fair (1)	Satisfied with estate tax (2)	Estate tax should exist (3)	Estate tax should be increased (4)	↑ Estate tax good way to ↓ inequality (5)	Government responsible to ↓ wealth transm. (6)
Republican	0.11*** (0.03)	0.10*** (0.03)	-0.07*** (0.02)	-0.08*** (0.02)	-0.09*** (0.02)	-0.01 (0.02)
Misperception index	0.03 (0.02)	0.01 (0.02)	-0.09*** (0.02)	-0.16*** (0.02)	-0.04* (0.02)	-0.10*** (0.02)
Efficiency index	0.01 (0.02)	0.01 (0.02)	-0.06*** (0.01)	-0.01 (0.01)	0.02 (0.01)	0.06*** (0.01)
Redistribution index	-0.06*** (0.02)	-0.09*** (0.02)	0.28*** (0.02)	0.29*** (0.02)	0.24*** (0.02)	0.21*** (0.02)
Government trust index	0.14*** (0.02)	0.13*** (0.02)	0.16*** (0.01)	0.11*** (0.01)	0.18*** (0.01)	0.15*** (0.01)

► Additional Outcomes

A Decomposition of Policy Views: Underlying Reasoning

	Estate tax system fair (1)	Satisfied with estate tax (2)	Estate tax should exist (3)	Estate tax should be increased (4)	↑ Estate tax good way to ↓ inequality (5)	Government responsible to ↓ wealth transm. (6)
Republican	0.11*** (0.03)	0.10*** (0.03)	-0.07*** (0.02)	-0.08*** (0.02)	-0.09*** (0.02)	-0.01 (0.02)
Misperception index	0.03 (0.02)	0.01 (0.02)	-0.09*** (0.02)	-0.16*** (0.02)	-0.04* (0.02)	-0.10*** (0.02)
Efficiency index	0.01 (0.02)	0.01 (0.02)	-0.06*** (0.01)	-0.01 (0.01)	0.02 (0.01)	0.06*** (0.01)
Redistribution index	-0.06*** (0.02)	-0.09*** (0.02)	0.28*** (0.02)	0.29*** (0.02)	0.24*** (0.02)	0.21*** (0.02)
Government trust index	0.14*** (0.02)	0.13*** (0.02)	0.16*** (0.01)	0.11*** (0.01)	0.18*** (0.01)	0.15*** (0.01)

► Additional Outcomes

A Decomposition of Policy Views: Underlying Reasoning

	Estate tax system fair (1)	Satisfied with estate tax (2)	Estate tax should exist (3)	Estate tax should be increased (4)	↑ Estate tax good way to ↓ inequality (5)	Government responsible to ↓ wealth transm. (6)
Republican	0.11*** (0.03)	0.10*** (0.03)	-0.07*** (0.02)	-0.08*** (0.02)	-0.09*** (0.02)	-0.01 (0.02)
Misperception index	0.03 (0.02)	0.01 (0.02)	-0.09*** (0.02)	-0.16*** (0.02)	-0.04* (0.02)	-0.10*** (0.02)
Efficiency index	0.01 (0.02)	0.01 (0.02)	-0.06*** (0.01)	-0.01 (0.01)	0.02 (0.01)	0.06*** (0.01)
Redistribution index	-0.06*** (0.02)	-0.09*** (0.02)	0.28*** (0.02)	0.29*** (0.02)	0.24*** (0.02)	0.21*** (0.02)
Government trust index	0.14*** (0.02)	0.13*** (0.02)	0.16*** (0.01)	0.11*** (0.01)	0.18*** (0.01)	0.15*** (0.01)

► Additional Outcomes

A Decomposition of Policy Views: Underlying Reasoning

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► Additional Outcomes

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► Additional Outcomes

A Decomposition of Policy Views: Underlying Reasoning

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► Additional Outcomes

Recap: A Decomposition of Tax Policy Views

Redistributive benefits

1. Distributional impacts

Mechanical impacts

Spillovers

2. Fairness concerns

Efficiency effects:

Behavioral distortions

& Broader efficiency effects

Knowledge & Misperceptions

Views of Government

Modulating factors

Recap: A Decomposition of Tax Policy Views

⇒ Redistributive benefits

1. Distributional impacts

Mechanical impacts

Spillovers

2. Fairness concerns

⇒ Efficiency effects:

Behavioral distortions

& Broader efficiency effects

Knowledge & Misperceptions

Views of Government

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Recap: A Decomposition of Tax Policy Views

Redistributive benefits

1. Distributional impacts

Mechanical impacts

Spillovers

⇒ 2. **Fairness concerns**

Efficiency effects:

Behavioral distortions

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Knowledge & Misperceptions

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Recap: A Decomposition of Tax Policy Views

Redistributive benefits

1. Distributional impacts

Mechanical impacts

Spillovers

2. Fairness concerns

Efficiency effects:

Behavioral distortions

& Broader efficiency effects

Knowledge & Misperceptions

⇒ **Views of Government**

Modulating factors

Treatment Effects of Video Courses

Three different video courses

Redistribution: Distributional impacts of policy. Who benefits, who loses?

Efficiency: Efficiency costs and benefits of policy, possible spillovers.

Economist: Trade-off between redistribution and efficiency.

Three different video courses

Redistribution: Distributional impacts of policy. Who benefits, who loses?

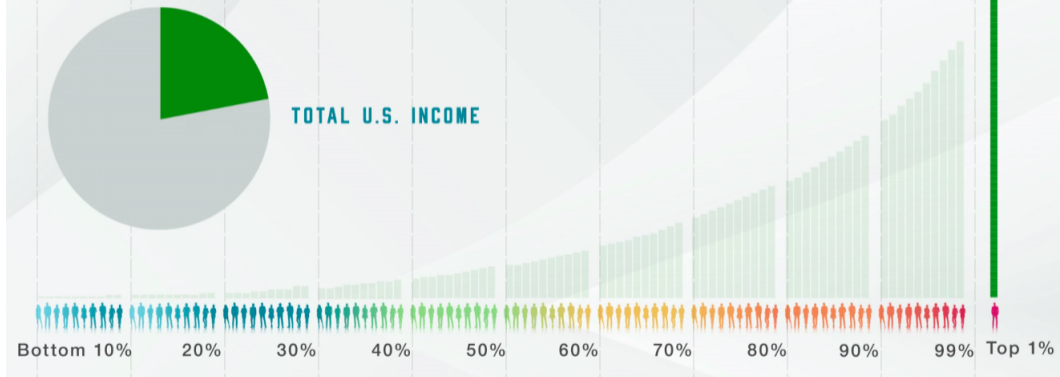
Efficiency: Efficiency costs and benefits of policy, possible spillovers.

Economist: Trade-off between redistribution and efficiency.

No normative stand on what tax system should be; few quantitative facts; nothing about current tax system.

Income Tax: Redistribution Treatment (I)

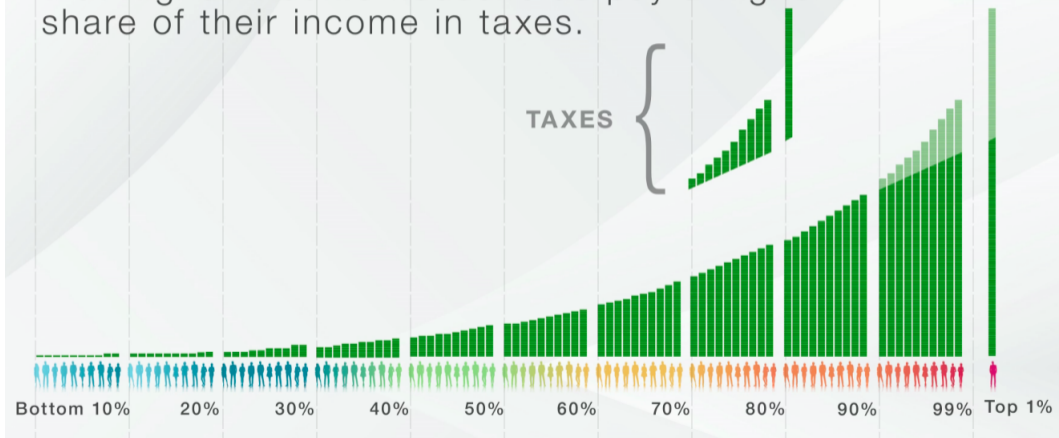
The top 1% richest agents, just one person in 100, earn around 22% or almost one quarter of all income in the U.S.



[Link to the video here](#)

Income Tax: Redistribution Treatment (II)

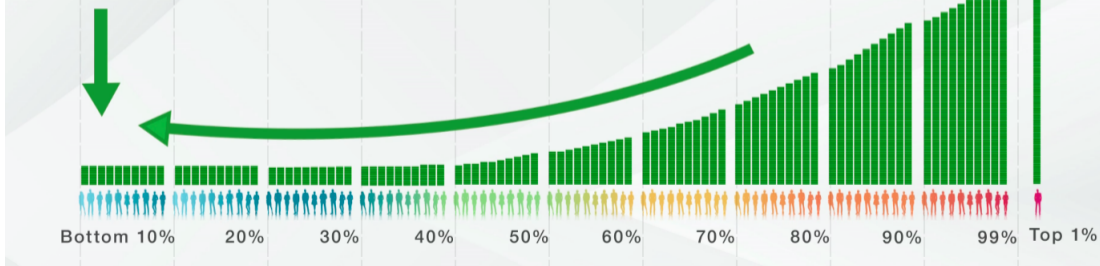
A progressive income tax system means that higher income households pay a higher share of their income in taxes.



Income Tax: Redistribution Treatment (III)

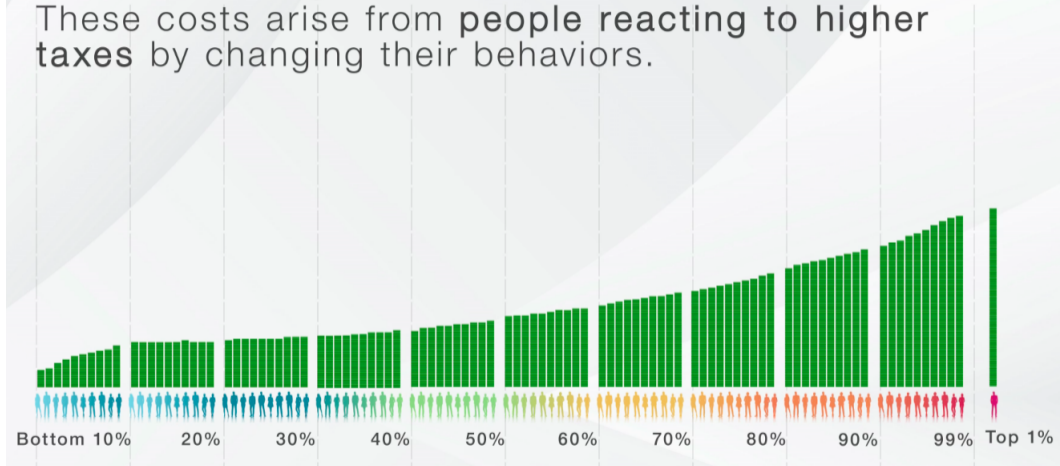
Revenues from the income tax go to fund tax cuts or transfers for lower income families.

TRANSFERS



Income Tax: Efficiency Treatment (I)

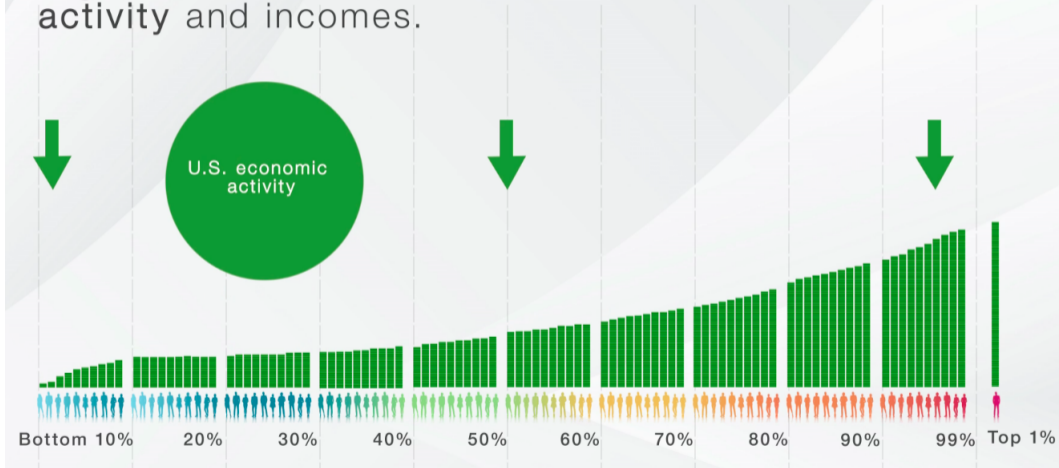
However, raising taxes has some economic costs. These costs arise from **people reacting to higher taxes** by changing their behaviors.



[Link to the video here](#)

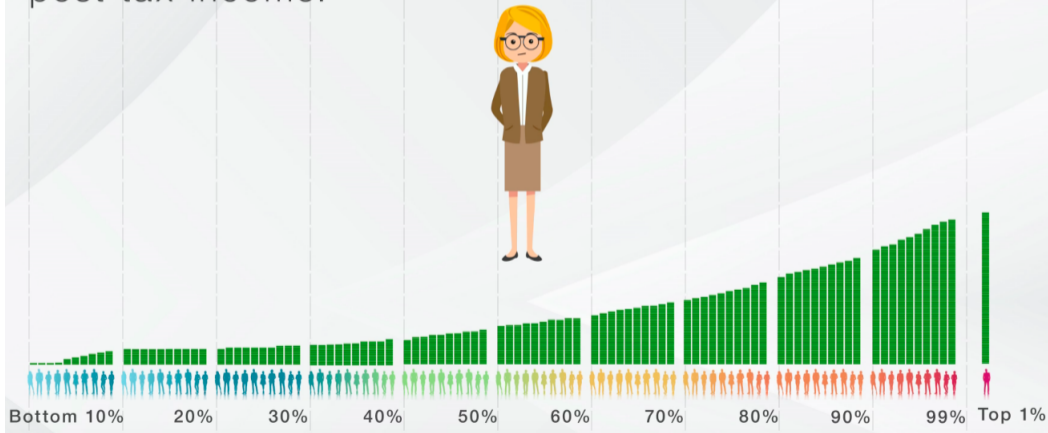
Income Tax: Efficiency Treatment (II)

Higher taxes could thus reduce overall economic activity and incomes.



Income Tax: Efficiency Treatment (III)

When the tax rate rises, Martha may decide to not look for a job anymore, since the cost of searching and working may no longer be worth the lower post-tax income.



Income Tax: Economist Treatment (I)

All taxes have an **economic cost** and too high taxes can discourage economic activity.

But there are also **benefits**. Progressive taxes make the income distribution **more equal and fair** by redistributing some income from richer to poorer people. The ideal income tax system will be the one that balances these costs and benefits.

RAISE TAXES



LOWER TAXES

[Link to the video here](#)

Policy Outcomes of the Income Tax: Treatment Effects

	Income tax fair (1)	Satisfied income tax (2)	Progressive tax important tool to ↓ inequality (3)	Support ↑ taxes on high incomes to expand programs for low-incomes (4)	increase investment (5)	Government responsible to ↓ inequality (6)
Redistribution T	0.01 (0.03)	0.02 (0.03)	0.11*** (0.03)	0.04 (0.03)	0.05* (0.03)	0.09*** (0.03)
Efficiency T	0.01 (0.03)	0.00 (0.03)	0.00 (0.03)	-0.01 (0.03)	0.04 (0.03)	0.00 (0.03)
Economist T	-0.02 (0.02)	-0.04* (0.02)	0.06** (0.02)	0.05** (0.02)	0.07** (0.03)	0.07*** (0.03)

► Additional Outcomes

Policy Outcomes of the Income Tax: Treatment Effects

	Income tax fair (1)	Satisfied income tax (2)	Progressive tax important tool to ↓ inequality (3)	Support ↑ taxes on high incomes to expand programs for low-incomes (4)	Support ↑ taxes on high incomes to increase investment (5)	Government responsible to ↓ inequality (6)
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Efficiency T	0.01 (0.03)	0.00 (0.03)	0.00 (0.03)	-0.01 (0.03)	0.04 (0.03)	0.00 (0.03)
Economist T	-0.02 (0.02)	-0.04* (0.02)	0.06** (0.02)	0.05** (0.02)	0.07** (0.03)	0.07*** (0.03)

► Additional Outcomes

Policy Outcomes of the Income Tax: Treatment Effects

	Income tax fair (1)	Satisfied income tax (2)	Progressive tax important tool to ↓ inequality (3)	Support ↑ taxes on high incomes to expand programs for low-incomes (4)	Support ↑ taxes on high incomes to increase investment (5)	Government responsible to ↓ inequality (6)
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Efficiency T	0.01 (0.03)	0.00 (0.03)	0.00 (0.03)	-0.01 (0.03)	0.04 (0.03)	0.00 (0.03)
Economist T	-0.02 (0.02)	-0.04* (0.02)	0.06** (0.02)	0.05** (0.02)	0.07** (0.03)	0.07*** (0.03)

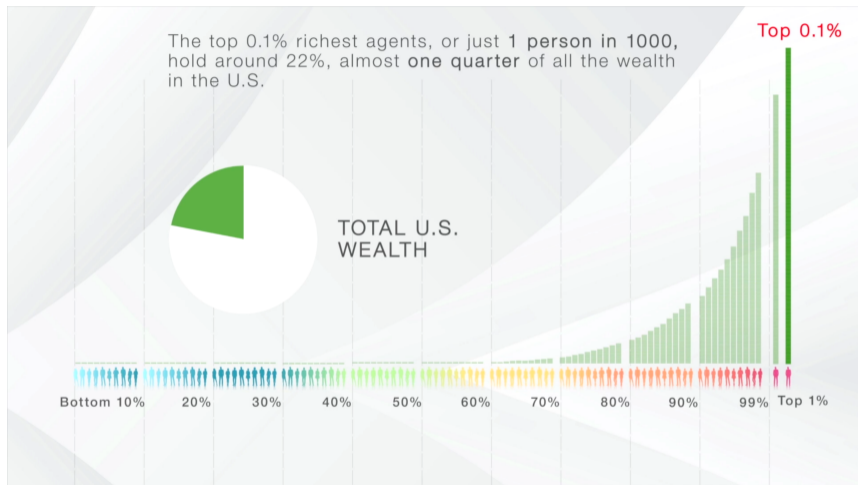
► Additional Outcomes

Policy Outcomes of the Income Tax: Treatment Effects

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Efficiency T	0.01 (0.03)	0.00 (0.03)	0.00 (0.03)	-0.01 (0.03)	0.04 (0.03)	0.00 (0.03)
Economist T	-0.02 (0.02)	-0.04* (0.02)	0.06** (0.02)	0.05** (0.02)	0.07** (0.03)	0.07*** (0.03)

► Additional Outcomes

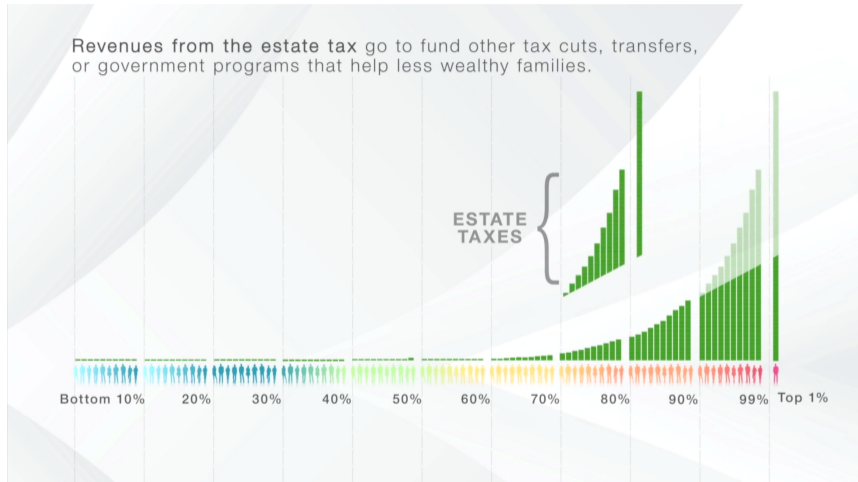
Estate Tax: Redistribution Treatment (I)



[Link to the video here](#)

Estate Tax: Redistribution Treatment (II)

Revenues from the estate tax go to fund other tax cuts, transfers, or government programs that help less wealthy families.



Estate Tax: Redistribution Treatment (III)

Leveling the playing field through the estate tax is even more important since children from wealthy families already start with many more advantages in life, such as:



better schools



better health



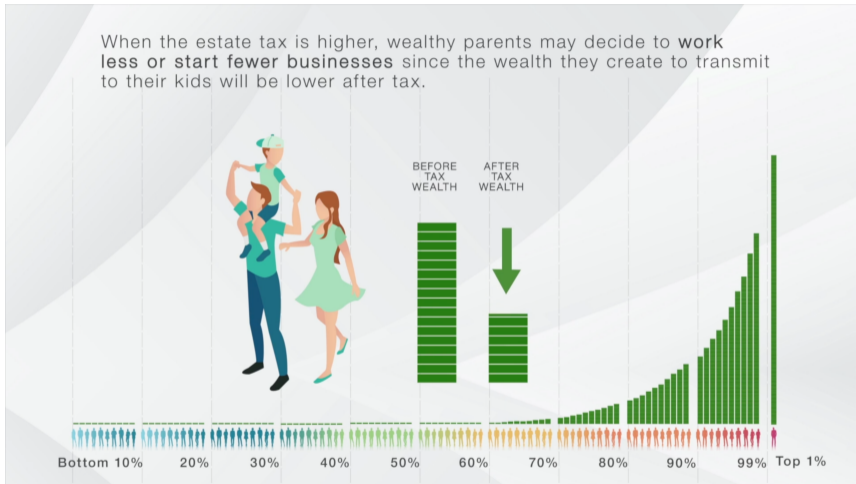
better neighborhoods



better social and professional networks

Estate Tax: Efficiency Treatment (I)

When the estate tax is higher, wealthy parents may decide to **work less or start fewer businesses** since the wealth they create to transmit to their kids will be lower after tax.

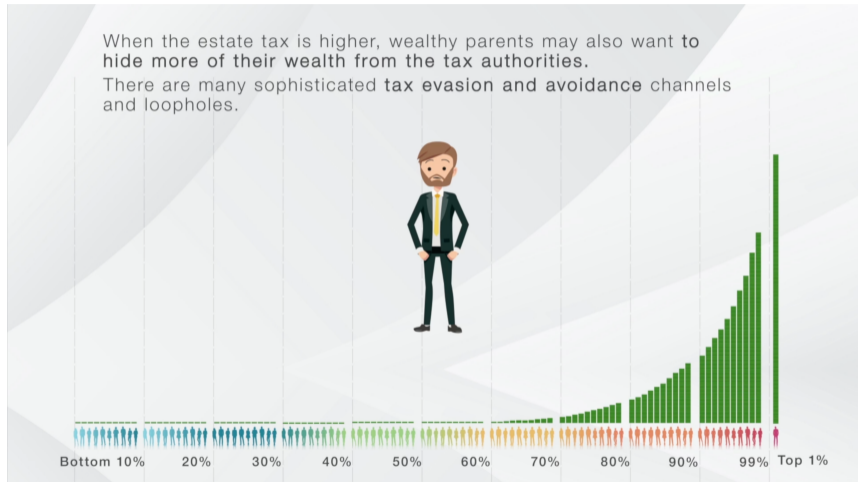


[Link to the video here](#)

Estate Tax: Efficiency Treatment (II)

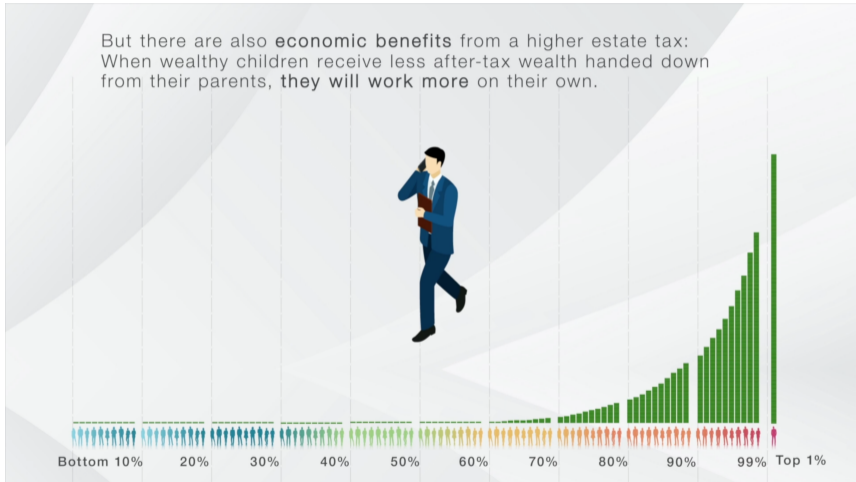
When the estate tax is higher, wealthy parents may also want to hide more of their wealth from the tax authorities.

There are many sophisticated tax evasion and avoidance channels and loopholes.



Estate Tax: Efficiency Treatment (III)

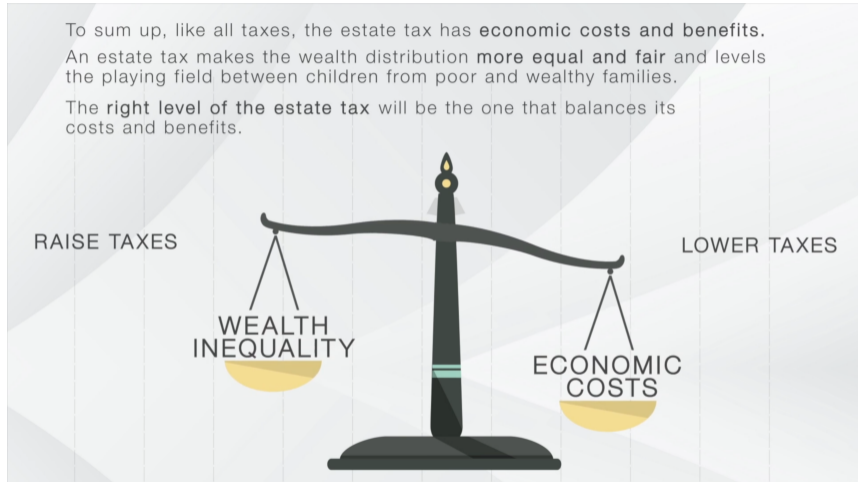
But there are also economic benefits from a higher estate tax:
When wealthy children receive less after-tax wealth handed down from their parents, they will work more on their own.



Estate Tax: Economist Treatment (I)

To sum up, like all taxes, the estate tax has economic costs and benefits. An estate tax makes the wealth distribution more equal and fair and levels the playing field between children from poor and wealthy families.

The right level of the estate tax will be the one that balances its costs and benefits.



[Link to the video here.](#)

Policy Outcomes of the Estate Tax: Treatment Effects

	Estate tax system fair (1)	Satisfied with estate tax (2)	Estate tax should exist (3)	Estate tax should be increased (4)	↑ Estate tax good way to ↓ inequality (5)	Government responsible to ↓ wealth transm. (6)
Redistribution T	-0.04 (0.04)	-0.03 (0.04)	0.05 (0.04)	0.07** (0.03)	0.14*** (0.04)	0.02 (0.03)
Efficiency T	0.01 (0.04)	0.01 (0.04)	0.02 (0.04)	0.01 (0.03)	0.08** (0.04)	0.01 (0.03)
Economist T	0.01 (0.03)	0.01 (0.03)	0.04 (0.03)	0.07** (0.03)	0.12*** (0.03)	0.02 (0.03)

► Additional Outcomes

Policy Outcomes of the Estate Tax: Treatment Effects

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► Additional Outcomes

To be continued..

Comments very welcome!

THANK YOU!

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