

EconoFact Chats: How People Form, and Change Their Opinions on Economics?

Stefanie Stantcheva, Harvard University

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Michael Klein:

I'm Michael Klein, Executive Editor of EconoFact. A nonpartisan web based publication of the Fletcher School at Tufts University. At EconoFact, we bring key facts and incisive analysis to the national debate on economic and social policies, publishing work from leading economists across the country. You can learn more about us and see our work at www.econofact.org.

Michael Klein:

The goal of EconoFact is to bring analyses and data from recognized national experts to the public debate. We founded EconoFact more than five years ago to help people make better informed choices about economic and social policies. Many economists, myself included tend to think that people would like to be better informed. We also think, or at least we hope, that people will make political choices based on good information. And they'll even change their views and choices when presented with reliable information that challenges their preconceived ideas. But perhaps I'm naive. Sociologists and psychologists have more subtle views of how opinions are formed and taken into account group dynamics and people's willingness, or lack of willingness to change views when presented with information that contradicts strongly held beliefs.

Michael Klein:

But it's not just sociologists and psychologists. Some economists have contributed to that understanding of how views about economic and social issues are formed and maintained. Perhaps, foremost among these economists is my guest today, Stefanie Stantcheva. Stefanie is a Nathaniel Ropes Professor of Political Economy at Harvard, and the founder of the Social Economics Lab. She's published widely on the way in which people learn about economic policies, form their views of these policies ,and what can or cannot change those views. Stefanie, thanks very much for joining me today.

Stefanie Stantcheva:

Thank you for having me.

Michael Klein:

Stefanie, there's a strong perception that we're living in hyperpartisan times in the United States, and people aren't listening to those outside their own political or social groups. You use the term 'polarization of reality' in your work. What do you mean by that and does that reflect this view of extreme partisanship?

Stefanie Stantcheva:

By polarization of reality, what we mean is that people will have different views even about basic facts. So about things that you can go and search for on Google.

Michael Klein:

What's an example of that?

Stefanie Stantcheva:

Well, there are many examples. We can use the example of tax policy. So for instance, someone who is more right leaning will tend to think that the top tax rate is higher than it actually is. And that the tax system overall is more progressive, than someone who's more left leaning. And same goes for inequality, for instance, someone who's more right leaning will tend to think that inequality is currently lower, and has increased less than someone who's left leaning. And it's something we can see across a range of other topics like immigration or racial gaps, et cetera.

Michael Klein:

Is that why they're left leaning or right leaning? Or do you think they come into this with preconceived notions and then they look at reality and make it fit what those notions are?

Stefanie Stantcheva:

Well, that's a very, very tough question to answer. This question of, is it your political affiliation that causes your perceptions and beliefs? Or is it your perceptions and beliefs that cause or lead to your political affiliation? And I think many researchers would agree that it's a bit of a cycle, a bit of a feedback loop. Where there's some starting beliefs and perceptions that push you one way or the other, but then the additional information you tend to acquire over time and the additional beliefs you tend to form are often also in line with your existing beliefs and political affiliation.

Michael Klein:

So you filter things in a way that tends to confirm the way you started thinking, is that right?

Stefanie Stantcheva:

Yes. So many people have done research on the selective acquiring of information. The fact that you may look for information that already confirms your beliefs, et cetera. It is not my own work, but it's a very, very abundant and rich field in both political science and economics.

Michael Klein:

So Stefanie, the things that you were talking about, economists call those positive differences. For example, the extent of inequality or the tax rates. And positive here doesn't mean the opposite of negative, but it's the opposite of normative. That is, what is versus what should be. Are there normative differences across party lines as well?

Stefanie Stantcheva:

Yes. So they're very big normative differences, in the sense of people having very different views about what is fair, and very different notions of what fairness means. So if we take again the example of tax policy, people will certainly have different views about what taxes do, what taxes currently are. But the biggest differences by far will be in what they think taxes should be and how fair they think inequality is and what causes inequality in the first place. So people basically have very different social objectives, what they want to achieve with say a tax system or other policies.

Michael Klein:

So that's a very broad point, like the overall view of government. And I thought it's very interesting in your work that partisan disagreements get stronger as you move from more specific questions to broader issues.

Stefanie Stantcheva:

Yes, that seems to be true across a range of topics. And when we look at, for instance, again, tax policy and what causes people's different views on what taxes should be, the biggest drivers of that are what people think is fair, how fair they think inequality is, how much they think high income earners deserve their incomes or not. And what they think about the government as an institution. How much they trust the government, what they think the scope of government should be, et cetera. Those are the biggest predictors of tax policy views. And they swamp other consideration like what people know exactly about taxes or what they think the economic effects, for instance, on labor supply or on other activities of taxes will be.

Michael Klein:

Stefanie, do you have any sense why it might be the case that partisan disagreements get stronger as you move from more specific questions to broader issues? Is it perhaps that broad issues are less easily verified or refuted by people's observations than narrower ones?

Stefanie Stantcheva:

So perhaps it's not so much an issue of narrow and broader, as it is about things that are verifiable; that have one accurate answer and that tend to be perhaps more precise questions. Say, 'what is the top tax rate' and things that are just not with a right or wrong answer that are very much in the eye of the beholder, such as what is fair or not. So when we think about what is fair for us, what our social objective is, what we think a society should look like, those things don't have a right or wrong answer, and they're very much dependent on people's social judgements and social preferences.

Michael Klein:

Another thing that I found really interesting in your pathbreaking research is that people's experiences seem to affect their perceptions of wider issues. For example, white people who have more interactions with black people tend to view differences in racial outcomes as reflecting discrimination and unfair treatment of blacks, more so than whites who have fewer interactions with blacks.

Stefanie Stantcheva:

People's experience definitely shapes their views, their perceptions and beliefs on a range of topics. And on racial gaps, it's a very interesting result. So we do these large scale surveys on both black and white Americans in the US. And we ask people about their perceptions of the magnitudes of racial gaps in economic outcomes and opportunities, what they think causes those gaps and what they think should be done about them. And one thing we see is that white respondents that live in areas where there are more black residents and where there are larger racial gaps -- so bigger differences between black and white residents, tend to attribute racial gaps much more to systemic issues like racism and discrimination, and want to do more things about them. Whether it's on race targeted policies or on general redistribution, so income targeted policies.

Michael Klein:

I imagine that the perceptions of the economic conditions of blacks and the opportunities or lack of opportunities available to them also differed a lot by race.

Stefanie Stantcheva:

There's definitely differences by race and the perceptions of differences in economic opportunities and outcomes. So in general, white respondents tend to perceive that black people in the US have better economic outcomes and better opportunities than black respondents do. And what is striking is that these

differences are already there for teenagers. So we surveyed in addition to adults, also teenagers, age 13 to 17. And we can see that they hold also views that are not that dissimilar from their parents. And so they also exhibit these big differences. However, I need to say that the bigger differences by far are not in the magnitudes of racial gaps people perceive. There's differences there for sure, but the biggest differences lie in how they explain those gaps to themselves. What is the story they tell behind them? And here there's very big differences between people who will think that racial gaps are due to systemic issues like historical events, discrimination, racism enduring today. Versus people who think it's not systemic, it's individual actions and effort.

Michael Klein:

You mentioned that teenagers views line up with their parents' views. Do you think then that these views pass on from generation to generation and when teenagers get older, do you think there are other influences that can change their views? Or they're pretty much set by time they reach 17 or 18 and that's the way they'll be.

Stefanie Stantcheva:

That is very difficult to answer with just this data or even with existing data, because there's so many other factors that go into someone's perceptions and then many reasons why teenagers views could be similar to those of their parents even if it's not a direct transmission from the parents. For instance, they tend to live in the same areas as their parents, they may tend to consume the same media as their parents. So it's very difficult to answer where this comes from and how that will change. But the finding itself is, I think, very striking. Which is that if you look at the answers of say Republican parents and Democratic parents on what they think are the causes of racial gaps and what they want to do about them, well, their teenagers will look very similar to them, along partisan lines. So very much like the parents, teenagers of parents that are more right leaning, those teenagers will tend to attribute racial gaps to individual effort and actions, and not the systemic issues. And the opposite will hold of teenagers whose parents are Democratic.

Michael Klein:

So what does in fact change people's views? You've done research on people's views on immigration and both their willingness to learn the facts and what can change your views. Can you describe a little bit what you found with that?

Stefanie Stantcheva:

Sure. And you know what can change people's views or what type of information works really very much depends on the topic. So let's look at the example of immigration. On immigration, across many countries where we did large scale surveys, we see that people have very stark misperceptions of immigrants. They overestimate the share of immigrants in their country, and they tend to think that immigrants are economically weaker, so less educated, more unemployed, more reliant on government transfers, et cetera, than it's the case. They also tend to perceive immigrants as more culturally distant from them. And in that setting, when we give people information about the actual share of immigrants in their country, or the origins of immigrants in their country, that does not really change their views on policies, on what they want to do on either immigration policy or redistribution policy. However, what does really change their views much more is to tell them a story about the day in the life of a very hard working immigrant.

Stefanie Stantcheva:

So the reason this sort of changes their views is related to the fact that the most important factor to people when they think about, what do I want to do on redistribution related to immigration is whether they think immigrants contribute economically. And whether they're convinced that immigrants don't take advantage

of the welfare system. And so an anecdote about a very hard working immigrant sort of counters this narrative that people may have in mind that immigrants don't contribute economically or [are] economically weak. And that's why this sort of narrative counters existing narratives. So for immigration, facts are not that powerful because there's very entrenched narratives and stories that people have in mind.

Michael Klein:

Stefanie, your research on immigrants and also on racial disparities points to a larger issue; what is the scope for people to better their economic standing? Can you find that the views of both Americans and Europeans tend to be incorrect? But what I thought was really interesting is that they're incorrect in different ways.

Stefanie Stantcheva:

Yes. So social mobility is a very big topic when we think about inequality and redistribution policies. So what do people want on progressive policies like taxation, social insurance, education policy. Because the underlying reasoning is that if people think there's more equality of opportunity, so that everyone had the same chances to start with, they're more willing to tolerate inequality in outcomes. So inequality, and for instance, incomes of people because they think the path to that inequality is fair. And across different countries, people have very different perceptions about what the equality of opportunity is, what the social mobility is. So for instance, in Europe, respondents tend to be slightly too pessimistic about social mobility relative to the reality. So for instance, they tend to think that the chances of someone born in poverty, staying stuck in poverty are higher than what the data says. In the US, it's the opposite. People tend to be over optimistic about this idea of the American dream. This idea of making it from rags to riches, from the bottom to the top of the distribution. People very starkly overestimate that chance here.

Michael Klein:

And your colleague Raj Chetty has done a lot of work on the actual rates at which people can leave poverty, say and move to the middle class.

Stefanie Stantcheva:

Exactly. That's the data we use to actually look at what the reality is, in a sense, in the US and that we can compare to people's perceptions. And then we also have similar data for Europe to look at the reality there and compare it to people's perceptions there.

Michael Klein:

Are there any common elements of the way that Europeans and Americans view social and economic mobility?

Stefanie Stantcheva:

There's definitely some commonalities. So for instance, across all the countries in our sample, people tend to think that effort does matter. So there's different degrees to which they think effort matters, but many people agree that effort will at least improve your chances. And then another thing that people agree on is that effort will not necessarily help you get to the very top so much. So people do understand that there's a mix of effort and luck or circumstances that go into mobility and inequality. But there is still very big differences across countries. And we can also see it in the views on policy, on what should be done about mobility or inequality. Where people that tend to be more pessimistic about mobility, tend to also want to do more things about it. They would support more government redistribution, more education policies, more health policies, more progressive taxes, and people who are more optimistic about mobility support less of those progressive policies.

Michael Klein:

So Stefanie, your work has been really influential and important in having people understand how the general public forms their views of policy and what can get them to change their views. What suggestion would you make to policy makers to build support for policies and importantly to get people to understand the implications of policies?

Stefanie Stantcheva:

Well, I think one of the lessons that emerges here is that it would be really important to improve people's understanding of the core policies that affect their daily lives, such as, for instance, tax policy. People are asked to make decisions about these policies every time they vote, every time they have to support a reform or not, when they elect their policy makers. And these policies are not easy to understand, and we don't actually necessarily all get an economic education that allows us to understand what is happening, what their effects are. And so I think broader economic education on those issues that affect people's daily lives would be really important to basically provides citizens with the tools to make their own policy decisions and with a better understanding.

Michael Klein:

Well, that's what we try to do with EconoFact by making our analyses accessible to those with little or no background in economics. Stefanie, thank you for joining me today in this conversation and talking about your very important, very influential work. I really appreciate it.

Stefanie Stantcheva:

Thank you, Michael.

Michael Klein:

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