

Title: Beliefs about Behavioral Responses to Taxation

Abstract:

Behavioral responses to taxation affect the trade-off society faces between implementing equality and efficiency. Several influential theoretical papers have used heterogeneity in beliefs about behavioral responses to taxation to explain variation in people's support for redistribution of income in society. In this study, we use a purposefully simple task to elicit incentivized beliefs from a representative sample of the US population about how taxes affect people's effort choices. The design allows us to assess the empirical validity of theoretical models suggesting a key role for beliefs about behavioral responses by investigating whether these beliefs are a good predictor of people's support for redistributive policies. We find that while equality–efficiency preferences strongly predict individual support for redistributive policies in society, beliefs about behavioral responses are not a significant predictor of support for redistributive policies.

The findings suggest that preference heterogeneity is more important than differences in beliefs to explain people's attitudes toward redistribution of income in society.