Beliefs about Behavioral Responses to Taxation

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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 over 9,000 Americans about how taxes affect people’s effort choices. We also elicit incentivized equality-efficiency preferences. We find that beliefs about behavioral responses to taxation fail to explain variation in people’s support for redistribution of income in society. By contrast, equality-efficiency preferences strongly predict both people’s support for redistribution of income in society and their political affiliation. In a follow-up experiment, we explore the role of motivated beliefs and group identity by priming the respondents about the political debate on taxation and party views on behavioral responses to taxation.