

Political Trust and Redistribution

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1 Motivation

Previous studies have empirically examined a hypothesis that high political trust (trust in government) increases the support for redistribution (e.g., Hetherington 2005; Edlund 1999; Rudolph and Evans 2005; Rudolph 2009; Svallfors 2013; Kuziemko, Norton, Saez, and Stantcheva 2015; Peyton 2020). However, the results are mixed; for example, Kuziemko et al. (2015) find a positive effect, but Peyton (2020) finds only a null effect.

The novelty of our study is to decompose political trust into two factors: (i) whether politicians collude with the rich and business elites and (ii) whether governments waste their budgets. For each factor, we conduct an online survey experiment where the information increasing trust level on the factor is randomly provided. By analyzing the treatment's effect on preferences for maintaining the current income tax system, we uncover how each of the two major factors of political trust influences the support for redistribution.

2 Experimental design

We conduct an online survey experiment in Japan with roughly 2000 respondents.

The survey design is summarized as follows. After several socio-demographic questions are asked, respondents are randomly assigned to one of the following four groups:

- Control R: Respondents are asked to guess the proportion of political donations among the revenue of political parties. Then, they are asked to answer whether politicians collude with the rich and business elites.

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- Treatment R: Respondents are asked to guess the proportion of political donations among the revenue of political parties. After this, respondents are informed of the correct number (15%) on the proportion of political donations among the revenue of political parties. Then, they are asked to answer whether politicians collude with the rich and business elites.
- Control W: Respondents are asked to guess the proportion of government spending pointed out as waste spending. Then, they are asked to answer whether governments waste their budgets.
- Treatment W: Respondents are asked to guess the proportion of government spending pointed out as waste spending. After this, respondents are informed of the correct number (14%) on the proportion of waste spending. Then, they are asked to answer whether governments waste their budgets.

After these questions, every respondent is asked to answer several questions including the main outcome: whether to maintain the current income tax system, reduce taxation, or expand redistribution through increased taxation.

3 Hypotheses and analysis plan

In the following analysis, we restrict our attention to respondents whose guess exceeds the correct number (in the case of Control R and Treatment R, respondents whose guess is larger than 15%; and in the case of Control W and Treatment W, respondents whose guess is larger than 14%).

Manipulation check: From the above restriction, being informed of the correct number will increase the political trust level. To validate whether this is indeed the case, we conduct the following analysis.

First, among respondents who are assigned to Control R or Treatment R, we run the following regression:

$$y_{Ri} = \nu_R T_{Ri} + X_i \beta + \epsilon_i, \quad (1)$$

where y_{Ri} is the outcome of asking whether politicians collude with the rich and business elites (higher value represents higher trust), T_{Ri} is the binary variable that takes one if respondent i is Treatment R, and X_i is the set of controls. In the current context of Japan, the political scandals on political donations by the majority party (LDP) attract much attention from the public. Therefore, whether the manipulation check works could depend on respondents' partisanship (whether they support the governmental parties, the opposition parties, or they are independent). We examine this possibility by conducting sub-sample analysis depending on respondents' partisanship. In

the subsequent analysis, we mainly focus on the subsamples that have a positive effect in this manipulation check.

Similarly, among respondents who are assigned to Control W or Treatment W, we run the following regression:

$$y_{Wi} = \nu_W T_{Wi} + X_i \beta + \epsilon_i, \quad (2)$$

where y_{Wi} is the outcome of asking whether governments waste their budgets, T_{Wi} is the binary variable that takes one if respondent i is Treatment R, and X_i is the set of controls.

We expect that ν_R and ν_W are positive.

Trust on the political influence of the rich and redistribution: By developing a formal model, we obtain the following hypothesis:

Hypothesis 1. *Compared with Control R, the effect of Treatment R on the support for expanding redistribution is ambiguous. It reduces the support through a higher trust that the current tax system is not in favor of the rich, but it increases the support through a higher trust that the spending of tax revenues is not in favor of the rich.*

To test the former part of the above hypothesis, we first run the regression (1) once y is replaced by the outcome question on the support for expanding redistribution. Second, at the end of the survey, respondents in Control R and Treatment R are randomly divided into half and asked to answer either one of the following two questions: whether the current tax system is not in favor of the rich and whether the spending of tax revenues is not in favor of the rich. We test the latter part of the hypothesis by running the regression (1) after replacing y by these questions.

Trust on the wasteful spending and redistribution: By developing a formal model, we obtain the following hypothesis:

Hypothesis 2. *Compared with Control W, the effect of Treatment W on the support for expanding redistribution is positive.*

To test this hypothesis, we run the regression (2) once y is replaced by the outcome question on the support for expanding redistribution.

References

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