

Buy-in for Buyouts: Attitudes Toward Compensation for Reforms*

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Abstract

Political reforms are often impeded by concentrated interest groups who lobby to block change that would benefit the majority. One under-examined policy response is to compensate the recalcitrant group in exchange for agreeing to the reform. We refer to such mass compensation schemes as public *buyouts*. After laying out the theoretical case for and against buyouts, we design a series of survey experiments to gauge the determinants of public support for buyouts linked to three reforms—phasing out coal energy, simplifying tax filing, and amnesty for dictators. Partisanship appears systematically related to attitudes towards buyouts, as does program design: buyouts find significantly more favor when they target individual workers, rather than companies. Yet the chief objection to buyouts is normative: individuals’ “moral aversion” to compensating actors who hold up beneficial reforms dominates other salient concerns, like moral hazard. Our results also highlight a vexing credibility problem: those who support reform also support reneging on the compensation once the reform is passed. Recipients may thus be right to fear policy reversals. Buyouts appear democratically viable as a means of passing beneficial reforms that have been blocked for decades—yet their design proves decisive.

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1 Introduction

Democratic societies do not suffer from a lack of good policy ideas. There are countless proposals for policies that relevant experts agree would result in considerable welfare gains, and that polls indicate democratic majorities would support. Decarbonization initiatives, health regulation, and the loosening of various occupational licensing requirements are commonly cited examples. Yet such *prima facie* commonsense policies often fail to be enacted, no matter how large the resulting benefits. The explanation for why first-best policies fail to be adopted often takes a familiar form: reforms have distributional consequences, and even if the winners win more than the losers lose, the latter are nonetheless able to block reform.

Political economy theory offers one straightforward solution to this recurrent problem: compensate the negatively-affected groups for their losses. If the proposed reform is truly welfare-enhancing, then combining it with such compensation would still leave the rest of society better off. We refer to this option as a *buyout*: a large-scale public compensation scheme that renders the interest group on the losing side of a reform “whole,” in exchange for agreeing to a policy change that it would otherwise block. Buyouts are financed by borrowing against future benefits flowing from the reform. In this article, we offer a theory of buyouts, highlighting what we argue is an under-explored means of pushing through reforms in the face of hold-up problems. We review some past examples of buyout proposals, both successful and not. We then gauge the level of public support for buyouts, and what it depends on.

Buyout schemes can fail because of opposition from the democratic audiences who end up footing the bill for compensation, or from the targets of buyouts themselves, who may have reason not to trust the scheme. We examine both sides of the issue. First, we ask: if democratic audiences support a given welfare-enhancing reform, do they also support the significant compensation that may be the only means of achieving it? If not, what are the main objections to such buyout schemes among the general public? In the second instance, buyouts schemes are sometimes opposed by potential recipients on the grounds that the promised compensation may later be rescinded. This leads us to ask whether public attitudes are in line with such time-inconsistency. Specifically, do

voters who support reform also support removing compensation once the reform is achieved?

We design a series of survey experiments to get at these questions across three highly distinct policy domains. The first concerns phasing out coal energy. Coal-fired power plants cause severe health problems like cancer and respiratory illnesses, which cost the US an estimated \$309 billion a year in healthcare costs alone—not to mention its effects on climate change.¹ Yet the coal industry has successfully opposed phasing out coal-fired power plants, which still account for nearly a third of US energy consumption.

Our second case considers simplifying tax filing: reform of the US tax code under which most US citizens could file their returns automatically, using information the IRS already has about their income, would save an estimated \$2 billion annually in taxpayer time spent filling out forms, and government time spent processing them.² Yet every year, the US tax preparation industry spends over \$30 million lobbying to successfully stymie such reforms.

On their face, both settings constitute plausible cases for a public buyout. Were it not for highly mobilized interest groups, these reforms may already have passed. These are cases where the total social benefits of reform outweigh the amount of compensation needed to make the holdout interests “whole.” Reform combined with a buyout thus constitutes a Pareto improvement. Yet to fully appreciate this requires internalizing the social costs of the status quo, and thus the long-term savings that might be achieved through reform. Given these considerations, how would domestic audiences perceive the case for buyouts? We consider baseline levels of support for a buyout of each industry, and how different features of the proposal affect this support. In each case, we begin by randomly varying whether the compensation recipients are workers, or the industry. We then randomize a set of counterarguments, to see which weighs most heavily in individuals’ reasoning: respondents read an argument about either moral hazard or government intervention, or are assigned to a control condition. We also collect respondents’ written-in explanations for resisting the buyout

¹Estimate based on Machol and Rizk (2013). For a comparable approach to health costs of coal-fuelled power, see Epstein et al. (2011). For estimates of the combined social cost of coal on both health and climate change outcomes, see Grausz (2011).

²See, among others, Goolsbee (2006); Liebman and Ramsey (2019); Treasury (2003). For a recent treatment in the popular press, see Lowrey (2021).

proposal, which we rely on to design our subsequent studies.

In a third vignette experiment, we elicit individuals' support for a "Dictator buyout" that would offer amnesty to a dictator to quell a civil conflict. Our intent is to abstract away from fiscal concerns, and home in on concerns around moral hazard and moral aversion.

The combined takeaway from our analysis is that individuals perceive the case for and against buyouts primarily through a normative lens, rather than one of economic efficiency. Some believe that the coal industry and the tax software industry *deserve* to be compensated if government policy is responsible for making their jobs redundant. Others believe that these market actors have been blocking beneficial reforms and harming society, and thus *do not deserve* any compensation. In both cases, the rationale turns on considerations of deservingness, akin to what philosophers refer to as "moral desert" (Lamont, 2017). Moreover, the degree of approval for the Dictator buyout appears correlated with the coal and tax buyouts, suggesting that fiscal considerations, which are absent in the Dictator vignette, are not the main driver of individual attitudes towards buyouts.

To further unpack these attitudes, we ask respondents to rank the main reasons for opposing buyouts. The responses highlight the relative importance of considerations around moral desert, which dominate other counterarguments, such as moral hazard, excessive government intervention, and the need to preserve jobs in the industry at issue. We then attempt to further unpack the normative reasoning that individuals appear to rely on in evaluating the case for buyouts. The most common distinction struck by moral psychologists examining individual moral reasoning is between deontological and consequentialist judgements. In a subsequent study, we thus use a battery of questions to classify respondents on a spectrum across these two ideal types, to see whether this distinction offers further traction on attitudes towards buyouts. We also test the relation between support for redistribution and support for buyouts, as a way of measuring the extent to which buyouts are perceived as a form of redistribution that is owed to those on the losing end of reforms.

We end by examining concerns over credible commitments often expressed by potential recipients of buyouts, and growingly cited in the literature on economic transition (Gazmararian and Tingley, 2022). According to this view, recipients of transition funds may turn down otherwise

beneficial settlements out of fear of policy reversals. To measure how warranted such fears are, we ask respondents whether they would support rescinding the compensation tied to a buyout once the reform was achieved. Our intent is to measure how much public (dis)approval democratic leaders would face if they broke their commitments to an industry following a buyout.

The analysis yields four key findings. First, and most broadly, buyouts enjoy significant support: even in the case of politically-charged issues like coal phase-outs, we find that buyout schemes can win the approval of democratic majorities. Secondly, this support for buyouts varies across partisanship: Democrats express consistently more support than Republicans, under all contexts. This divide perdures when we abstract away from concerns over the fiscal burden on taxpayers and government intervention in the economy using a third vignette, in ways that appear to speak to each group's deep-seated non-material beliefs. Beyond the importance of partisanship, however, support for buyouts of interest groups depends a great deal on aspects of program design. Buyouts that offer compensation to individual workers, rather than companies, enjoy significantly more support across the partisan spectrum.

Third, the chief objection to buyouts appears to be normative in character: individuals are loath to offer compensation to market actors who are perceived as not “deserving” compensation, even if this would result in welfare improvements. Such “moral aversion” seems to dominate other salient concerns, like moral hazard. Yet these objections are not easily reducible to deontological versus consequentialist reasoning. Fourth, the concern cited by potential recipients of buyouts over the credibility of compensation schemes finds support in our survey of individual attitudes: for both coal and tax industry buyouts, a *majority* of respondents are not opposed to renegeing on the promise after it is made. Those who are most in favor of the reform, moreover, are significantly *more* likely to support renegeing on compensation as soon as that reform is passed. Conversely, what pressure there is against renegeing comes from those who do not support the reform in the first place. The implication is that there may not be a coalition that is both willing to offer a buyout, and that can be counted on to continue delivering compensation once the reform is achieved. This has considerable implications for the optimal design of buyouts. The level of support for

renegeing also rests on normative reasoning: in this case, those more inclined to consequentialist reasoning are significantly more likely to favor suspending compensation than those who score high on deontological reasoning.

These findings contribute to a number of ongoing debates across policy and political economy theory. Chiefly, the issue of how to address stalled welfare-enhancing reforms has taken on unprecedented urgency with the acceleration of climate change. A number of policies have been proposed to slow down and reverse climate change, from implementing carbon taxes and carbon credits to phasing out coal-fuelled power plants and passing clean energy targets, all of which enjoy overwhelming support among climate change experts (Stokes, 2020). Yet these commonsense policies have often failed to pass in the face of political mobilization by incumbent interests in legacy electric utilities, as well as fossil fuel and transportation industries, and their respective labor unions. Indeed, a number of studies have suggested that distributional conflicts, rather than e.g. collective action, is the binding constraint on ambitious climate legislation (Colgan, Green and Hale, 2021; Aklin and Mildemberger, 2020; Harrison, 2015). In response, scholars have begun looking at ways in which a transition away from fossil fuels to greener energy sources might be facilitated through large-scale compensation of those negatively affected by the shift (Gaikwad, Genovese and Tingley, 2020; Kono, 2020), contributing to a movement that has coalesced under the banner of “just transition” (Newell and Mulvaney, 2013). While the US is not among them, a number of countries have resorted to precisely such mass compensation in the effort to phase out coal, one of the two cases we focus on (Meckling and Nahm, 2022).

While this recent focus on climate change is understandable, the premise of this article is that it is useful to conceive of climate compensation as merely one instance, among many, of a policy response to a fundamental challenge identified by the study of political economy: how can a benevolent policymaker push forth welfare-enhancing reforms in the face of concentrated hold-out interests?

2 Buyouts in Theory

The ability of small concentrated interest groups to dominate larger, but more diffuse, societal interests is the bread and butter of the field of political economy, which has long been interested in identifying settings where rent-seeking behavior by concentrated interests results in suboptimal outcomes.³ One implication of this large body of work, and the premise of this article, is that the binding constraint on progress in democratic societies is not a dearth of innovative policies, so much as the political inability to implement the policies that have already been put forth.

2.1 The origins of blocked reforms

Groups mobilizing to block welfare-enhancing policies often start out serving the public interest. Then, technological innovation or the emergence of new information becomes grounds for reform, which these vested interests oppose because it would hurt their profits. When this happens, the group that initially benefited society becomes a “hold out” interest, blocking welfare improvements.

This pattern describes the two main cases we focus on. Coal was once an affordable source of energy that fueled global industrial progress; the tax preparation industry initially arose to meet a real need on the part of Americans facing the arduous task of filing their taxes. In another example which we outline below, government efforts to reduce agricultural subsidies in advanced economies were originally put in place in the interwar period in response to price volatility that financial markets of the time could not hedge against. These subsidies led to the entrenchment of interest groups that blocked the removal of government support when market conditions should have allowed for it. In another instance from the same period, the Jones Act mandates that any goods shipped between two US ports must be transported on a US-built, US-flagged, and US-crewed vessel. It was put in place in the wake of WWI for reasons of national security.⁴ It is generally acknowledged

³In *The Wealth of Nations*, Adam Smith famously observed that such rent-seeking was invariably the topic of any conversation between people of the same industry: “People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices.”

⁴The Jones Act is formally known as the US Merchant Marine Act of 1920. The specific requirement is that the crew be made up of 75% US-nationals.

that repealing it would now result in annual savings of an estimated \$700 million in ship-building and fuel costs alone, and improve the government's ability to respond to crises like floods and hurricanes. Yet the US shipbuilding industry has actively lobbied to block its repeal for the last 30 years.⁵ In all these instances, what was once a sensible outcome grew less sensible over time. The war ended, ways of simplifying tax filing arose, and new information about the negative spillovers of coal energy on health and climate emerged.

Yet these developments were not acted on. As the foundational work of North (1991) established, suboptimal institutions need not disappear in the face of preferable alternatives, if in the meantime actors have emerged who benefit from the continued existence of these institutions. These groups can mobilize to pressure government, or they can act to suppress new information altogether. When asbestos was found to be a carcinogen, or when studies highlighted the widespread health consequences of particulate matter produced by coal plants, the relevant interest groups stymied the release of this information, and offered conflicting findings. Empirical evidence has long linked lobbying efforts by private sector interests with misinformation and delays in the risk assessments necessary to design optimal regulation (Muggli, Hurt and Repace, 2004). Hold-out interests that block welfare-enhancing reforms, moreover, seldom make their case on the basis of self-interest alone. More often, they invoke social values, from state security and national pride to health and safety. At times, they do so by relying on misinformation.⁶

Several factors may explain why blocked reforms of the kind we examine in this article have been on the rise since the 1980s. Legislative capture, a proliferation of access points to policy, and an increase in firm-level lobbying are chief among these. Evidence from the last 40 years, looking especially at the US, suggests an increase in the pervasiveness of legislative capture across financial regulation, land use regulation, intellectual property protection, and occupational licensing (Lindsey and Teles, 2017; Gulotty, 2020; Mihályi and Szelényi, 2019). Observers have also

⁵See Lewis (2013); Slattery, Riley and Loris (2014) for a fuller discussion.

⁶See Stokes (2020, 220-221) for examples, as when the fossil fuel interest groups in Ohio aligned against state measures supporting renewables began running ads threatening that China was seeking to control Ohio's electric utilities. These false claims were then repeated by legislators.

linked an increase in “capture” to a rise in corporate profit margins.⁷ Looking ahead, the recent turn towards greater government intervention in the economy through a range of industrial policy measures makes it likely that interest groups will mobilize around the maintenance of these support policies into the future. In sum, for a number of complementary reasons that have increased the relative bargaining power of corporate interest groups, there is reason to expect a proliferation of cases in which concentrated groups prevail over diffuse societal interests.

2.2 Buyouts as a solution to stalled reforms

A solution to reforms blocked by vested interest groups was proposed more than 80 years ago by Kaldor (1939), and subsequently refined in Hicks (1939) and Hicks (1940). In what has come to be called Kaldor-Hicks compensation, and which we refer to as public buyouts, the gains accrued from the winners are used to balance out the losses incurred by the losers of a given policy. As Kaldor observed, “even if all those who suffer as a result [of a welfare-enhancing reform] are fully compensated for their loss, the rest of the community will still be better off than before.” In that initial sketch, Kaldor turned to the paradigmatic case for concentrated interest groups blocking welfare-enhancing reforms: trade liberalization. He invoked the British Corn Laws, which opposed consumers of bread, who stood to gain from liberalization, to aristocratic landowners, who stood to lose from it.⁸

Trade scholars traditionally describe lower trade barriers as “potentially Pareto-improving.”⁹ What is understood by this is that conditional on some redistribution from the winners to the losers, everyone *could be* made at least as well off as they were absent liberalization, and others would still be better off. Given how heroic an assumption effective compensation turns out to be, such settings are more accurately described as Kaldor-Hicks improvements. These obtain as long as total welfare increases, without requiring that everyone remain at least as well off as they were *ex ante*.

⁷See, for example, “Too much of a good thing”. *The Economist*. March 26, 2016. <https://www.economist.com/briefing/2016/03/26/too-much-of-a-good-thing>.

⁸Explicit proposals for the direct compensation of land owners were in fact proposed, and may have accelerated repeal of the Corn Laws had they been adopted. See Baring (1908).

⁹For a discussion of this preference in the economic literature, see Mathis (2009).

Yet in spite of how actual Pareto improvements in the social world are few and far between, claims of “potential Pareto efficiency” are far more common than references to Kaldor-Hicks improvements.¹⁰ This semantic preference is revealing. Political economy scholarship has long brushed aside what actual compensation from winners to losers would entail, focusing instead on changes in the overall size of the pie to identify desirable reforms. Looking at the case of trade liberalization, this led scholars to overlook the long-run distributional effects of lowering trade barriers, an omission which started being redressed in the late 1990s,¹¹ and which came to a head following a string of recent findings showing the persistent localized effects of import competition.¹² Hicks was prophetic in this respect. As he wrote in 1939:

“Yet when such reforms have been carried through in historical fact, the advance has usually been made amid the clash of opposing interests, so that compensation has not been given, and economic progress has accumulated a roll of victims, sufficient to give all sound policy a bad name.”

Over the past few years, trade scholars have increasingly converged on a similar verdict. Although theory suggests that the gains from trade would have been sufficient to offer compensation to those hurt by the removal of trade protection, governments have largely failed to do so.¹³ As a result, a “sound policy” has been given a bad name, and political opportunities have arisen for policymakers willing to take an anti-trade stance (Feigenbaum and Hall, 2015).

Referring again to the Corn Laws, Kaldor went as far as outlining how compensation might work, taxing bread consumers who benefited from lower prices, and compensating landowners. Yet Kaldor then deliberately steered clear of any pronouncement on whether compensation was therefore desirable, claiming that this was a “political” matter about which the economist “could hardly pronounce an opinion.” We pick up where Kaldor left off, delving into the politics of the question. We examine public attitudes towards compensation of hold-out interests, what these

¹⁰To illustrate, there are over 50 times more scholarly articles mentioning Pareto improvements than Kaldor-Hicks improvements in the last 5 years (Google Scholar).

¹¹For a review, see, e.g. Kapstein (2000).

¹²See Autor, Dorn and Hanson (2013). Subsequent work has begun charting the difficulties of compensating those on the losing side (Claeys and Sapir, 2020; Kim and Pelc, 2019).

¹³While programs like the US’ Trade Adjustment Assistance (TAA) and the EU’s Globalization Adjustment Fund (EGF) exist to do just that, they are often underfunded and underused (Kim and Pelc, 2019).

depend on, and how they might inform policymakers working to pass socially beneficial reforms.

3 Buyouts in Practice

What do buyouts look like in practice? Before outlining our theoretical expectations, we briefly consider past buyout proposals in two domains—agriculture and coal—and their varied outcomes.

Buyouts of Agricultural Supports The sector that has likely seen the greatest number of buyout attempts, with considerable variation in their success, is agriculture. Much of the current farm support system across developed countries was put in place during the inter-war period, when aggregate demand was growing faster than supply. In response, governments implemented a range of price support measures to help farmers and increase output, starting with the Federal Farm Board in 1929 (Bowers, Rasmussen and Baker, 1984). When postwar productivity rose sharply thanks to technological change,¹⁴ those support measures remained. As noted above, interest groups formed to preserve the support measures. The result has been oversupply, inefficient production, and artificially high consumer prices.¹⁵

Efforts to dismantle farm support systems began immediately after WWII, against the background of international trade negotiations. One of the earliest such attempts came in 1949, pushed by the Democratic Secretary of Agriculture Charles Brannan. Referred to as a cash-out reform, it attempted to dismantle price guarantees, which were highly distortionary, with direct cash payments to farmers (Orden, Paarlberg and Roe, 1999). It was endorsed by the National Farmer Union, but was ultimately judged too expensive, and scuttled by Republicans, who still hoped to pass legislation getting rid of price supports without extensive compensation.¹⁶ This would prove the model for a half-dozen similar attempts at reforms of the US farm bill. In a recurrent pattern, the continuation

¹⁴Advances included the use of non-organic fertilizer, better seed technology, and more efficient machinery.

¹⁵For a broader discussion, and links of farm bill reform to trade liberalization, see Paarlberg (1997).

¹⁶Recall that Democrats at this time still represented the producers of tobacco, wheat, and cotton, which were lower productivity crops than those grown in the Republican-controlled midwest (Orden, Paarlberg and Roe, 1999).

of the program soon cost more than the buyout would have.¹⁷

Despite the difficulties involved, agriculture in developed countries remains the domain where buyouts are most frequent. Following the 1988 Canada-US Free Trade Agreement, the Canadian government thus bought out Canadian wine growers, paying them \$8,100 per acre to pull out “undesirable,” low quality vines, in exchange for removing protectionist measures, as per Canada’s commitments under CUSFTA. Over 70% of vineyards in British Columbia agreed to the buyout, and pulled out their grapes to switch to other crops. Those that remained were the more competitive vineyards that produced higher quality wine, and who were able to survive without continued protection. In sum, the Canadian government succeeded in “quieting”—to use Meckling and Nahm’s term—the interest group that until then had resisted liberalization most staunchly.

Buyouts for Climate Change: Coal-Fired Power Plants A recent surge of interest in buyout-like schemes has resulted from the urgency of large-scale reforms in the face of climate change. These have often been stymied by politically powerful interest groups in fossil fuels, transportation, and legacy electric utilities (Stokes, 2020). Much of the thinking around the different means of compensating geographically-concentrated populations negatively affected by decarbonization policies has coalesced around the banner of “just transition” (Newell and Mulvaney, 2013).

One policy domain which we examine directly in our survey experiments is coal-fired energy. In light of coal’s contribution to climate change, many developed countries have tried to reduce their reliance on coal-fired electricity in the last decade. Some have done this by effectively buying out the industry’s workers, and shutting down plants. Countries like Canada, Australia, and Germany have phased out their coal industries by offering mass compensation packages to coal workers, in ways that amount to a public buyout. The same idea has been proposed for the US, but has yet to gain a serious foothold in the political debate.¹⁸

¹⁷The bipartisan Boschwitz-Boren proposal in 1985 was a case in point: it dismantled all support for agricultural commodities in exchange of direct transition payments to farmers, phased out over 6 years. The Congressional Budget Office estimated the cost at USD 51 billion over the first three years—a spending increase that existed by design, reflecting the up-front cost of the proposed buyout—and Republicans rejected it for being too expensive. The program costs quickly overtook the buyout amount, at USD 25.8 billion in its first year alone.

¹⁸For exceptions, see: Gil Friend, Felix Kramer. 2014. “Deal of the Century: Buy Out the US Coal Industry for

The Canadian province of Ontario took this approach when it shut down its last coal plant in 2014. The province of Alberta then followed suit, modelling its phase-out on Ontario's, with a fund set aside to top up affected workers' income to 75 per cent of a worker's previous earnings following their layoff, to be paid from a carbon tax. Alberta's calculations of the cost of a buyout allow us to run our own rough estimate of how much an equivalent buyout of US coal-fuelled power plants would cost. Using this approach, we arrive at a figure of USD 80 billion, which we use in the survey experiment. We outline these calculations in the Appendix.

Australia has also been holding active policy discussions to phase out its coal-fuelled power plants.¹⁹ Meckling and Nahm (2022) describe how a buyout of coal workers in Germany was successful when other approaches failed. Similar buyout schemes have been put forth in Poland, a major coal producer. India has also proposed mass compensation schemes targeted at its 1.2 million coal workers, in an attempt to transition away from coal energy. Those efforts have been buoyed by a growing green energy sector (IISD, 2018).

4 Theoretical Expectations

Kaldor-Hicks compensation is the simplest means of turning a Kaldor-Hicks improvement into a Pareto improvement, whereby everyone is at least as well off as they would be absent the reform. Yet Kaldor himself was ambivalent about when compensation of those on the losing side of reform is called for. How might a policymaker approach this question?

Large compensatory payouts to private actors may be most common in neo-corporatist systems, where business, labor, and other interest groups have a formal role in the decision-making process (Finnegan, 2022; Mildemberger, 2020). Yet corporatism can leave voters largely out of the equation, as bargains are struck between the government and interest groups, often through closed-room

\$50BN" *The Guardian*. Stephen L. Kass. June 3, 2016. "The federal government should buy coal plants, shut them down and pay to retrain their employees" *Washington Post*. Brad Plumer. Jun 7, 2016. "A not-so-modest climate proposal: why not just buy out the US coal industry?" *Vox*. Meckling and Nahm (2022, 514) contrast the successful coal phase-out in Germany, which relied on a large compensation package, to the case of the US "where—in the absence of compensation-based bargains—coal regions and firms continue to actively resist federal climate policy."

¹⁹"How Australia can phase out coal power while maintaining energy security." 2021. *The Conversation*.

negotiations. The option of public buyouts, by contrast, brings the question into the open. We are interested in whether voters would support large payouts to interest groups, in exchange for long-term social benefits. This is one reason why we pitch our study in the US, where interest groups vie for influence through lobbying, but are less formally involved in policy formulation.

The question then becomes about democratic preferences: buyouts appear theoretically sound, yet large payouts to hold-out interest groups can raise a number of material and non-material concerns. Policymakers may thus fear public backlash. How well-founded are such concerns? Specifically, if domestic audiences nominally support a reform blocked by a vested interest group, under what circumstances would they also support buying out that group to pass the reform?

To address this question, we begin by examining how varying the targets of buyouts affects public support for buyout schemes. Second, we hypothesize three dominant counter-arguments to buyouts, and seek to measure how prevalent these are in public attitudes. Third, we unpack the normative reasoning that people appear to rely on in assessing whether to buy out interest groups that block reform. Finally, we consider the credibility of buyout schemes in democratic contexts where the public's preferences may raise time-inconsistency problems.

4.1 Buyout Design: Who Gets Compensated?

A key aspect of policy design for large scale public buyouts is who the precise recipients of compensation are. Our expectation is that insofar as respondents are resistant to compensating groups that block reforms, they will be more open to compensating individuals, rather than companies.²⁰

Below, we test this expectation using a survey experiment where we randomly vary who receives compensation in different buyout schemes: the *industry* or *workers*. If respondents are on average more sympathetic to the losses suffered by workers, then we expect they will be more favorable to the buyout proposal when it is linked to compensation for workers.

²⁰Critcher and Dunning (2014) show how people tend to hold more positive assessments of specific individuals than collectives of others. If so, survey respondents should be better able to identify with the fates of individuals, in particular job loss affecting individual workers.

4.2 Counter-Arguments to Buyouts

To gauge the extent to which large scale public buyouts could be supported by the voting public, we rely on several approaches to weigh the relative importance of possible arguments *against* buyouts. We distinguish between three dominant concerns: moral hazard, moral aversion, and opposition to large-scale government intervention.

Moral Hazard Negotiated buyouts of interest groups do not take place in a vacuum. One of the main considerations in deciding whether compensation is a desirable means of pushing through a beneficial reform in a given case is how it might subsequently affect other similar cases. In this way, the most theoretically well-grounded argument against buyouts is a concern over moral hazard. By offering compensation to a given vested interest group, one might embolden the same group, or others like it, to hold out in future instances, in the hope of a similar payout. A policy of systematically buying out recalcitrant interest groups might thus unintentionally increase the number of recalcitrant interest groups, instead of reducing it.

Moral hazard might be thought to loom especially large if the reform being sought is of a recurrent type, as with health regulation of chemical products, which affects hundreds of products, and which is often held up by narrow interest groups. For instance, there has been a longstanding push in the US to classify both formaldehyde and hydroquinone as carcinogens. A valid concern may be that by “paying to regulate” one chemical, government agencies may embolden producers of the other to hold out longer, in expectation of similar compensation. In this respect, the more “one-off” a policy proposal is, the less likely it is to change expectations by setting a precedent for other interest groups to adapt to. Similarly, the longer lasting a policy stalemate over a given reform, the fewer analogous cases there are that might treat it as precedent. Most generally, the concern over moral hazard speaks in favor of approaching buyouts on a case-by-case basis, rather than relying on them as a systematic solution to blocked reforms. The weight of moral hazard is thus likely to vary between sectors, but also over time.²¹

²¹For example, patent buyouts have been used in the past to place technologies with high innovation potential in the public domain, in what amounts to a monopoly buyout. Today, with the emergence of “non-practicing entities”, this

Moral Aversion A second argument against buyouts is a concern that these effectively ‘reward’ interest groups for the very behavior which the reform seeks to abolish. Normative objections of this type are all the more likely given how rent-seeking groups that seek to manipulate public policy for their own gain are often perceived as disreputable. One thinks of the use by the news media of “Big Oil,” “Big Tobacco,” or “Big Pharma” to designate groups that wield disproportionate political power and use it to extract rents. Democratic audiences may be predisposed to suspicion towards concentrated political power. Political philosophers speak of “moral desert” in this respect, as an approach to distributive justice arguing that what benefits people receive should be a reflection of what they do, and how this affects their deservingness (Lamont, 2017). Individuals who see these groups as ‘bad actors’ might then have principled objections to programs that would offer these actors large amounts of public funds to get them to cease activities which already result in welfare losses. In this view, eventual material benefits may not warrant the normative cost associated with paying off socially undesirable actors.²²

Opposition to Government Intervention A third argument against buyouts is linked to resistance to government intervention. Buyouts require governments to play a significant role in picking which reforms ought to be compensated, and to what amount. Domestic audiences may feel that due to their sheer scale, buyouts grant too large of a role to governments. Since buyouts are effectively financed by future savings, respondents may balk at the up-front cost, and the increase in debt it represents. Indeed, Bansak, Bechtel and Margalit (2021) find that austerity is the preferred response to economic crises among European respondents because of public opposition to debt accumulation, over and above individual economic interest. This relationship may be even more pronounced in the case of the US. A related concern may be that government will ‘overpay’ powerful interest groups due to the same political economic considerations that lead to blocked reforms in the first place.

could generate considerable moral hazard.

²²Moral hazard and moral aversion are not mutually exclusive. Moral hazard may loom especially large when dealing with normatively questionable actors. And moral aversion may be one heuristic by which individuals grasp at moral hazard concerns. On moral heuristics, see Sunstein (2005).

We rely on several different approaches to weigh the prevalence of these three main counterarguments across the domestic audience. First, we use a series of vignette experiments in which we randomly present counter-arguments to some survey respondents, and we estimate how much each of those arguments dents support for a buyout scheme, compared to a control.

Second, while our main cases of interest relate to the American coal and tax preparation industries, we add a third vignette about a non-economic setting outside of the US context. There, we ask respondents whether they would support a deal that would offer amnesty and asylum in Switzerland to a foreign dictator, in exchange for the dictator giving up power and putting an end to a civil war. The aim of this third vignette is to abstract away from fiscal considerations, while retaining considerations of moral aversion and moral hazard.

Third, recognizing that the public may support or oppose buyouts for different reasons than those offered by political economists, we elicit open-ended answers from survey respondents about the reasons that motivated their choices. We used these written-in explanations to design a follow-up survey where we ask respondents to consider a broader set of counter-arguments related to deservingness, moral considerations, and the desirability of industry protection.

4.3 Types of Moral Reasoning

As we show below, an inductive exploration of these written-in explanations of respondents' concerns over buyouts suggests that people's views on the topic are largely driven by normative considerations.²³ To unpack the type of moral reasoning that people engage in when evaluating a buyout proposal, we build on a key distinction drawn by moral philosophers and psychologists, between deontological and consequentialist reasoning. The latter focuses on the desirability of outcomes, while the former highlights the probity of the means used to achieve those outcomes. Much of this literature builds on the famous trolley problem, a thought experiment in which sacrificing one life can save a number of other lives (Bruers and Braeckman, 2014).

In the case of buyouts, a similar fundamental tradeoff is present: compensating a group that is

²³We provide representative examples of these written-in comments in the empirical section below.

blocking socially beneficial reform for self-interested reasons may run counter to first-order moral reasoning; yet doing so may be the only means of achieving a reform leading to a net beneficial outcome. Deontological reasoning would thus seem to push against buyout schemes; by contrast, consequentialists may be more open to biting the bullet of compensating a rent-seeking group to achieve a favorable final outcome, even if this “rewards” intransigent market actors for their intransigence. We also test the relationship between these moral ideal types and attitudes towards renegeing on buyout promises, which we outline next.

4.4 Credibility of Compensation

So far, we have focused on the reasons that could justify people’s *ex ante* opposition to buyout proposals. Yet resistance to buyouts may also come from buyout recipients themselves. While political economy theory assumes that the groups opposing reform can be rendered “whole”, a number of recent studies of compensatory schemes have highlighted the difficulty of actually doing so. Studies of active labor market policies that offer targeted compensation to individual workers have highlighted the challenges that such programs face, from stigma to poor information, often resulting in low take-up of cash assistance and labor adjustment programs (Sheran and Swann, 2007; Kim and Pelc, 2021). More recently, growing attention has been paid to a specific challenge of compensatory schemes with respect to credibility. Gazmararian and Tingley (2022) thus demonstrate how recipients of climate transition assistance often fear policy reversals, whereby promised compensation *ex ante* may be rescinded *ex post*. Indeed, as Fernandez and Rodrik (1991) argued long ago, any “transfer scheme may be time-inconsistent, providing incentives to the *ex post* majority to renege on the agreement.” Governments thus face a classic problem: they may commit to a costly buyout as a means of tackling hold-outs, yet once the reform is achieved, they have an incentive to rescind on their prior commitments.

Such policy reversals are not uncommon, including in the buyout setting we examine most closely, over coal energy phase-outs. As we recount in Section 3 above, in 2016, the government of Alberta, led by the left-leaning National Democratic Party, pledged a 1.1 billion fund to either shut

down or convert coal-fired plants. The plan, which was hailed as a model of cooperation with fossil fuel workers and labor unions,²⁴ was to be financed by a carbon tax which would raise \$5.3 billion, of which nearly a billion was slated to assist the province's coal workers and affected communities. In anticipation of the plan going into effect, a number of coal plants started shedding workers and investing in conversion to natural gas. Then, Albertans voted in the United Conservative Party, which walked back the commitments.²⁵ By contrast to Alberta, the government of Ontario has kept its commitment to coal workers following its own phase-out.

The concern over policy reversal is especially salient in the case of buyouts, the stated purpose of which is to push through reform. Once this is achieved, there may be little reason to keep compensating the holdout interests. Add to this the prevalent perception that the recipients of buyouts are “bad actors” who do not deserve compensation, and fears of policy reversal appear plausible. We argue that such fears should ultimately reflect the attitudes of democratic audiences. The question is thus, once reform is achieved, how tolerant are democratic audiences to rescinding the compensation that made the reform possible?

We test these expectations by asking all respondents how favorable they would be to rescinding the compensation given to the coal industry, or the tax software industry, once the reform is passed. Especially relevant to the theory is how approval for the underlying reform relates to approval for rescinding the compensation required to achieve it. We are also interested in how these attitudes towards renegeing relate to our two ideal types of moral reasoning. Consequentialists may be expected to be more tolerant of renegeing on prior commitments as soon as the objective is achieved. By contrast, while deontologists may be more resistant to the idea of compensating rent-seekers in the first place, they may also be reluctant to break such a commitment once it is made.

²⁴See “Unifor helping to advance dialogue on Just Transition.” <https://www.unifor.org/news/all-news/unifor-helping-advance-dialogue-just-transition>.

²⁵The carbon tax was axed, and the promised compensation for coal workers was thrown into question. It remains in the balance to this day, resulting in considerable uncertainty for coal workers. “Alberta Created a Way to Help Fossil Fuel Workers. Kenney Is Wrecking It: Coal Workers Promised Transition Pay Are Left Hanging.” <https://thetyee.ca/News/2019/10/10/Coal-Worker-Help-Wrecked/>.

5 Empirical analysis

We design a series of survey experiments to shed light on the four theoretical dimensions of buyouts highlighted above. To measure the level and determinants of support for buyout programs, we conducted three online surveys, each with a sample of 2000 American adults, which we recruited to meet population quotas by age, gender, and education, covering a total of 6000 respondents.²⁶ Details on survey administration are reported in appendix.

As per our discussion of historical buyouts in Section 3 above, buyout schemes appear less common in the US than in other countries, like Canada. There are likely reasons for this: Americans are commonly thought to be more suspicious of government interference in the economy, and the US lacks the kind of neo-corporatist arrangements between interest groups and the government that might facilitate buyout deals. Meanwhile, the strength of lobby groups in the US makes the type of hold-out problem that buyouts are designed to resolve especially likely to arise. These are also the reasons why we focus on the US in our survey: overall support for buyouts may be lower; yet if they proved workable, buyouts may have especially wide applicability for the US.

We present five sets of complementary results. The first is strictly descriptive: who supports large-scale buyouts, and what traits does this depend on? The second analysis is explanatory, leveraging randomized assignment to different treatment conditions, which allows us to ask whether program design affects support for buyout initiatives. Third, using the same randomized treatment approach, we test the weight of various counterarguments, to see which appear to sway individual attitudes the most. Fourth, we unpack normative objections to buyouts by studying how moral reasoning relates to attitudes towards the policy. Finally, we look at support for renegeing on compensation offered, once the reform is achieved, and how it relates to the same moral reasoning ideal types. In the appendix, we consider two additional questions of particular relevance to policy: are buyouts primarily seen as a means of reform or redistribution, and does learning about the possibility of a buyout affect people's approval of the underlying reform?

²⁶The regression results in the text rely on quotas for representativeness. In section J, we compare US Census proportions to our sample demographics, and replicate our core results using survey weights. The results are not meaningfully different.

5.1 Case Selection: Coal, Tax, and Amnesty

We design a series of survey experiments to gauge the level and the determinants of public support for buyout in two principal domains: tax simplification and coal energy phase-out. Although trade liberalization is the paradigmatic case for compensation following welfare-enhancing reforms, we purposefully do not include it among our vignettes. Trade barriers that remain after 75 years of negotiations in the international trade regime are most often still in place because the groups that benefit from trade protection have been able to mount arguments for it that transcend material interests. Coalitions between import-competing agricultural interests and environmental groups, or food safety protection groups, have arisen not only to pressure government policy, but also to affect consumer beliefs (Eaton, 2009). Agricultural lobbies thus insist on the healthfulness and environmental sustainability of domestic products, while throwing doubt on the standards of foreign agricultural imports (Vogel, 2012). The result has muddled the costs and benefits of reform, and any associated buyout scheme. To avoid this issue, we look for cases where the costs and benefits are more readily quantifiable.

Our first buyout proposal relates to phasing out coal-fired power plants, where we highlight consequences for public health, rather than implications for climate change. We do this in an attempt to attenuate the effect of partisanship around a polarized question. This is especially so in the US, which stands out among high-income democracies for the level of polarization around energy and climate politics (Hart, Stedman and Clarke, 2021). As such, a coal phaseout in the US represents a particularly hard test case for finding patterns of public opinion that are not reducible to issue polarization. Our choice for the other two vignettes is a further attempt to ensure that the effects are not reducible to partisanship. The second case looks at the question of simplifying tax filing. The latter is meant to be the less politically fraught of the two. Indeed, when we test rates of approval for the underlying policy reform, Democrats and Republicans are no different in their approval of tax simplification. Yet as we show, they differ significantly in their support for buyouts.

Our two vignettes also usefully differ in their geographic specificity. The coal industry is highly concentrated, while the tax software industry is more diffuse. Geographic concentration may matter

in two ways that are relevant to our analysis. On the one hand, most respondents are unlikely to be directly affected by the health consequences of coal-fired power plants; but they are likely to be directly affected by the unavailability of return-free tax filing. On the other hand, groups that are highly concentrated may be easier to negotiate with and reach an agreement with, making a buyout more feasible. Finally, to complement our analysis of coal energy and tax filing reforms, we also rely on a vignette which abstracts from the US context, and any fiscal considerations, concerning amnesty for a foreign dictator.

5.2 Support and Policy Design

We begin by estimating the level of support for buyout proposals, and examining how that support varies based on people’s socio-demographic traits, as well as policy design. In particular, we are interested in assessing whether the target of the compensation scheme affects the level of support for large-scale buyout programs.

To do this, we asked survey respondents to read three short vignettes describing buyout programs: coal phase-out, tax simplification, and dictator amnesty. Then, we asked respondents to express their level of support for the proposed buyouts on a 0 to 10 scale. The vignettes included two sets of randomized components. First, a control group of respondents was exposed only to a description of the buyout programs, while two treatment groups also read randomly assigned counterarguments. In the tax simplification and coal phase-out vignettes, one treatment arm was assigned to read a counter-argument about moral hazard. Another treatment arm was assigned to read a counter-argument stating that public buyouts are an example of excessive government intervention. In the amnesty case, respondents assigned to one treatment arm read a counter-argument about moral hazard, while others read a sentence arguing that the amnesty plan violated an ethical principle. The full text of the vignettes and corresponding counter-arguments is reported in Figure 1. Second, in the tax and coal cases, we randomized the policy design by changing the identity of the groups who would receive compensation under the buyout program: “workers” or “industry.”

Figure 1: Buyout vignettes.

Coal:

One third of the energy used in the United States comes from coal. Coal mining and energy plants cause severe health problems such as cancer and respiratory illnesses. Experts estimate that these health problems cost Americans \$309 billion a year.

{The coal industry | Coal workers} oppose *{s}* shutting down coal power plants because it would *{hurt their business | lead to job losses}*. Through intense lobbying, they have pressured the government to keep coal plants running.

Some people say that the only way to close these coal plants is to compensate [the coal industry/ coal workers] for their losses. This would cost \$80 billion dollars now, but it would save Americans money in the long run.

Tax:

Every year, Americans spend a lot of time filling out their tax returns, and a lot of money on tax software and services. The IRS has all the information it would need to fill out most people's tax forms automatically. This would save Americans \$2 billion a year in time and money.

{Tax software companies | People who work in the tax industry} oppose automatic tax filing, because it would hurt their *{business | income}*. Through intense lobbying, they have pressured the government to maintain the current system.

Some people say that the only way to simplify tax filing is to compensate *{tax software companies for their losses | workers in the tax industry who lose their jobs as a result}*, to convince them to accept this reform. This would cost the government \$10 billion now, but it would save Americans money in the long run.

Dictator:

Imagine that a foreign dictator is willing to give up power and put an end to a civil war. In exchange, he wants to avoid prison and retire safely in Switzerland. Should the United States support this kind of deal? 0 means that you "Strongly Disagree." 10 means that you "Strongly Agree."

The first insight from the survey experiment is that respondents are broadly supportive of buyout schemes. Across all treatment groups, 61% of respondents support a coal-phased with compensation, and just over 50% of respondents approve the tax simplification and dictator amnesty plans.²⁷

At the individual level, support for the schemes covaries to a great extent: individuals in favor of buyouts in one setting tend to favor buyouts in the other setting, with a bivariate correlation of 0.55 (see Table 3 of the Appendix.) What is more striking still is how much support for these monetary compensation proposals covaries with support for *Dictator Asylum*, which rests on a different, non-monetary premise. The bivariate correlation is 0.36 with the coal buyout proposal, and 0.41 with the tax buyout. One plain interpretation is that views on buyouts are largely driven by the considerations that are common across these issue-areas. Given that the *Dictator Asylum* vignette abstracts away from economic concerns over taxpayer burden, and political concerns over government interference in the economy, the high correlation between that vignette and our two main cases of interest, coal plant phase-outs and tax filing reform, suggests that domestic audiences approach the case for and against buyouts on the basis of moral hazard and moral aversion. We investigate this possibility further in our analyses below.

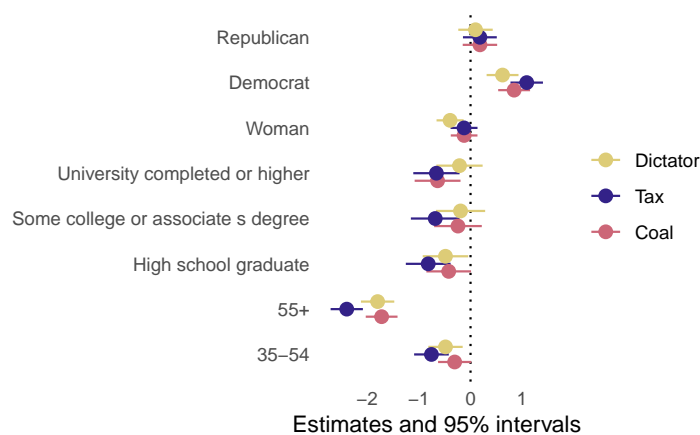


Figure 2: Socio-demographic characteristics and support for buyout and amnesty plans.

The relation between socio-demographic traits and support for buyouts appears consistent across all three proposals. Figure 2 shows the estimated coefficients and confidence intervals from three linear regression models with four covariates. Of these, partisanship appears most relevant: *Democrats* are considerably more likely to support buyouts than either *Republicans* or *Independents* (the omitted reference category).

²⁷ Respondents recorded approval on a 0-10 scale. We drop neutral responses, code all responses strictly above 5 as approval, and all responses strictly below 5 as disapproval.

Age is negative and statistically significant: on average, older Americans are less supportive of buyouts and amnesties than younger ones, which could reflect more conservative values, or greater wariness of compensation following layoffs as moving jobs becomes more difficult. Women also appear to be less supportive of buyouts than men, although the gender gap is not always statistically significant across the three vignettes.

To estimate the causal effect of policy design (i.e., the identity of buyout beneficiaries), we estimate linear regression models with the randomized vignette features as regressors. Figure 3 shows the coefficient estimates produced by three models of this form:

$$\text{Buyout Support} = \beta_0 + \beta_1 \text{Workers} + \beta_2 \text{Moral hazard} + \beta_3 \text{Government intervention} + \varepsilon \quad (1)$$

where *Support* is measured from 0 to 10; *Workers* is equal to 1 if the proposed policy compensates workers and 0 if it compensates the industry; *Moral hazard* and *Government intervention* are equal to 1 if the respondent is assigned to the corresponding treatment group; and the omitted category is the *Control* group. In the *Amnesty* experiment, *Government intervention* is replaced by *Ethical principle*.

The first important result is that the design of a buyout program matters a great deal for public support. On average, when compensation targets coal workers, the level of public support for the buyout program is about 0.7 points higher (about 1/4th of a standard deviation on the outcome scale, or about 13% of the mean outcome in the "Compensate Corporations" treatment arm). Considering that the treatment, which consists of substituting a single term in the vignette, is relatively weak, we interpret this as a substantively strong effect of program design. The importance of who the direct beneficiaries of a buyout program are is further reinforced by respondents' write-in explanations for their level of support. Among those who received the "industry" treatment, several respondents explicitly noted that they would be more supportive of a buyout scheme aimed directly at workers.

These statistical results are consistent with many of the comments that respondents submitted in our open-ended question. Consider three representative examples: (1) "I don't think the coal industry should be compensated but I do believe all those forced into unemployment by shutting down coal mines should be compensated;" (2) "The residents should be compensated but not the coal industry." (3) "Compensate some worker for up to a year and pay for education to get into another industry, CEO's deserve nothing."

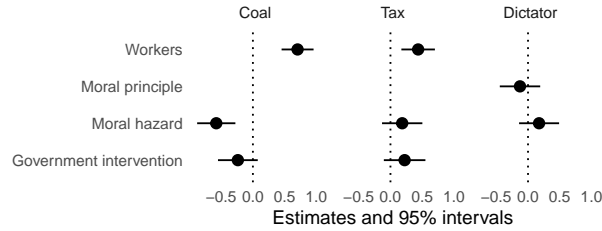


Figure 3: Estimated average treatment effects in the Coal, Tax, and Dictator vignettes.

5.3 Counter-Arguments

The vignettes described above also included a randomized set of counter-arguments, related to moral hazard, excessive government intervention, and ethical principles. This research design allows us to test whether exposure to some counterargument activate individuals’ latent concerns more than others.

We find that the randomized counter-arguments have an inconsistent effect on support for buyout programs. The threat of *Moral hazard* reduces support for the Coal buyout, but it has no statistically significant effect on attitudes towards either the Tax buyout, or the Dictator amnesty proposal. Similarly, the Government Intervention treatment has no significant effect on attitudes towards either the Coal buyout or the Tax buyout proposals. With the one exception of moral hazard for Coal buyouts, we thus cannot reject the possibility that respondents are insensitive to the counterarguments as presented to them.²⁸

At first glance, these results suggest that the concerns highlighted by the literature are not the ones that domestic audiences hold highest in mind, and that the main explanation for opposition to buyout schemes lies elsewhere. Another possibility is that the lack of significant treatment effect is precisely because respondents already have these counterarguments high in mind prior to being exposed to the treatment.

To distinguish between these two possibilities, we turned to the open-ended explanations written in by respondents. The sum of these answers suggested that in evaluating the case for buyouts, normative concerns loom largest in respondents’ minds. In fact, the modal explanation volunteered by respondents for opposing either a Coal or Tax buyout is that the recipients are not *deserving* of government funds. These answers were also consistent with the way respondents appear to view buyouts through the lens of redistribution, rather than strictly as a means to beneficial reforms.²⁹ In many cases, respondents claimed it would be unfair to compensate these groups when so many others receive no compensation when they go out of business.

²⁸Adjusting confidence intervals for multiple testing would reinforce this conclusion.

²⁹See additional results to this effect in Section F, in the Appendix.

Consider the following three illustrative comments: (1) “There are many jobs that have become obsolete with the advancement of technology. I don’t think it is the responsibility of government to compensate.” (2) “Absolutely not. We as Americans pay a ton in taxes as it is, we should not be responsible for other company’s losing money.” (3) “Did anyone compensate those people who sold horses, made carriages or reimburse blacksmiths when gasoline powered vehicles replaced transportation that was powered by animals??”

Drawing on these open-ended answers, we designed a follow-up survey instrument, administered to a new sample of respondents, that provides a list of possible reasons to oppose buyouts. We asked respondents to consider five reasons to reject buyout schemes, even if it meant that welfare gains would not be achieved. Then, we asked respondents to rank these arguments in order of importance:³⁰

Among the five counter-arguments (Appendix B), we offered reasons tapping normative concerns over compensating “bad actors” with public funds, concerns over moral hazard, and concerns over government intervention in the economy. We also explicitly allowed for the belief that the industry and the jobs it represents were valuable, and thus deserved government protection. We presented counter-arguments in random order, and we also allowed respondents to write in their own explanation.

As Figures 4a and 4b shows, the reasons cited against buyouts are highly consistent across the two issue areas. In both cases, the top-most cited reason is one of deservingness: in the case of coal buyouts, it is industries that harm society, and in the case of tax industry buyouts, it is industries that block beneficial reforms, which are said not to deserve compensation. If we sum rankings across both vignettes, the two deservingness concerns come in first and second. Moral hazard comes in second and third in the case of coal and tax, respectively, and third if we sum the scores across both vignettes.

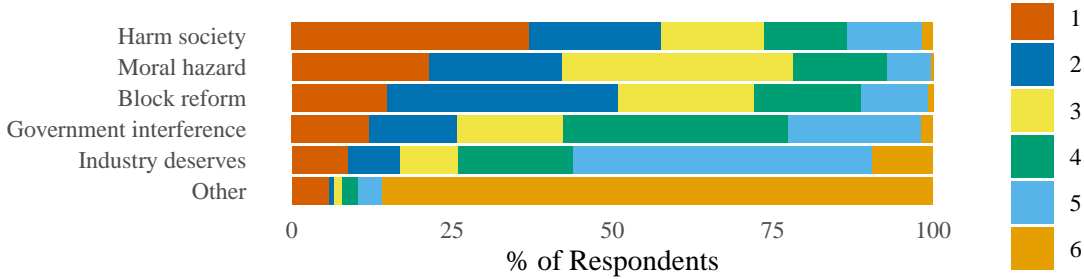
5.4 Moral Reasoning

The written-in comments from our initial survey and the quantitative results from our follow-up survey both indicated that respondents tend to view the case for or against buyouts primarily through a normative lens. Thus, we sought to measure more precisely the degree to which moral considerations were driving attitudes, and distinguish between different moral arguments that were being brought to bear on the question.

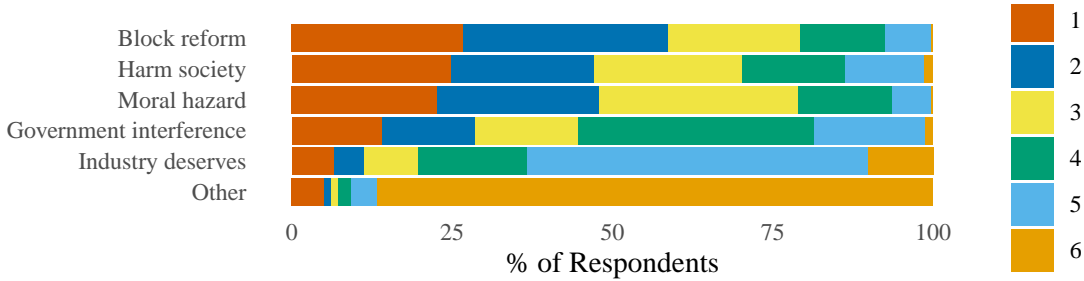
To do so, we measured the association between attitudes towards buyouts and two fundamental ap-

³⁰The order of presentation of counter-arguments was randomized. The vignette describing the buyout plan was nearly identical to the one in our first survey, except that it did not randomize the identity of compensation recipients.

Figure 4: Rank the best reasons to oppose a buyout.



(a) Coal



(b) Tax

proaches to moral reasoning. We relied on a standard battery of questions commonly used by moral psychologists (Mata, Vaz and Mendonça, 2022) to rank individuals on a spectrum from consequentialist to deontological moral reasoning (see Appendix).

Table 1 shows that the relationship between baseline support for buyout and moral reasoning types is not consistent. If anything, those at either end of the spectrum between deontological and consequentialist reasoning appear to support buyouts of coal more strongly, which may speak to the competing reasons for supporting buyouts. In Figures I.4 and I.5 of the Appendix, we illustrate this further by drawing heatmaps of the relationship between baseline support for buyouts of the coal industry and the tax industry, respectively, and our two ideal moral types. Furthermore, when we subtract each respondent’s deontological scores from their consequentialist score, the result is not significant in either direction, for either buyout proposal.

The differences across our vignettes also follow intuition. We control for the level of baseline support for the underlying reform, since individuals staunchly opposed to the underlying reform would not be expected to support costly means of obtaining that reform. As expected, such strong opposition is more common in the divisive issue of coal phaseouts than in the more technical issue of tax code reforms, and it also has a more negative effect on support for the buyout. And while it does follow intuition, the control for baseline support mostly functions to ensure that the main results are not reducible to partisan beliefs.

Table 1: Determinants of support for buyout proposals.

	Coal		Tax	
	I	II	III	IV
(Intercept)	2.735 (0.284)	3.211 (0.260)	3.534 (0.397)	2.987 (0.369)
Baseline	0.161 (0.025)	0.156 (0.025)	-0.021 (0.038)	-0.027 (0.037)
Consequentialist		0.070 (0.039)		0.155 (0.039)
Deontological	0.130 (0.037)		0.032 (0.038)	
Num.Obs.	2002	2002	2002	2002
R2	0.030	0.025	0.001	0.009
Std.Errors	HC3	HC3	HC3	HC3

5.5 Credibility

Compensation in buyout schemes is usually paid out over long periods of time, which leads to a time-inconsistency problem: voters and politicians may have incentives to renege on their promise to compensate vested interest groups after the reform is passed. To assess the seriousness of this problem, we designed a follow-up survey to measure the public (dis)approval that democratic leaders would face if they broke their commitments to an industry following a buyout. Specifically, we asked all respondents the following:

Imagine that a deal has been reached: The coal industry agrees to shut down all coal-fired power plants, in exchange for a large payment spread over 5 years. Public health improves.

But after 2 years, a new government is elected and decides to stop the payments: it claims that the coal industry does not deserve any further compensation.

Given that the aim of the reform has been achieved, and that public health has improved, would you approve or disapprove of the new government breaking its initial commitment and stopping payments to the coal industry?

The results are striking. Nearly half of respondents favor renegeing on compensation under both proposals, counting responses higher than 5 on the 0-10 scale. This amounts to a proportion of 43% for coal, and exactly 50% for tax.³¹ If we add those who were neither in favor nor opposed, we see that a majority would not be opposed to breaking the commitment under either the coal or the tax industry buyout.

The results from Table 2 offer a closer look at what lies behind these attitudes. Tellingly, those in favor of phasing out coal are also more likely to favor renegeing on compensation. We see the same positive relationship for renegeing on tax industry buyouts, but here the effect falls short of statistical significance.

³¹When comparing those strictly in favor (>5) to those strictly against (<5).

Table 2: Determinants of support for renegeing on a buyout promise

	Coal		Tax	
	I	II	III	IV
(Intercept)	4.048 (0.303)	2.797 (0.280)	5.246 (0.414)	4.148 (0.408)
Baseline	0.149 (0.026)	0.143 (0.026)	0.036 (0.040)	0.029 (0.041)
Consequentialist		0.123 (0.041)		0.103 (0.042)
Deontological	-0.108 (0.039)		-0.102 (0.040)	
Num.Obs.	2002	2002	2002	2002
R2	0.024	0.025	0.004	0.004
Std.Errors	HC3	HC3	HC3	HC3

This differential pattern is intriguing. One potential explanation is that, in the American context, coal energy is a much more polarizing issue area than tax preparation. In section K of the appendix, we show some evidence consistent with this explanation: there is a set of respondents who are strongly opposed to coal phaseout, and those same respondents are much less likely to favor walking back promises to the industry.

While the deontological-consequentialist spectrum of moral reasoning did not matter much for approval of buyouts in Table 1, here it becomes clear that those more prone to deontological (consequentialist) reasoning are significantly less (more) likely to favor renegeing. Finally, in reflection of the more polarized character of the coal phaseout vignette, support for the underlying reform has a strong positive effect on willingness to renege on the buyout promise, while it has no effect in the case of tax simplification.

In sum, the fears often cited by targets of compensation schemes over potential policy reversals seem to find support in the data: once the reform is achieved, individuals are not opposed to breaking promises made in the course of buying out interest groups. And those more in favor of the reform are also most in favor of subsequently cutting off compensation.

6 Conclusion

Small concentrated interests that dominate larger, more diffuse interests are the bogeyman of political economy. Distributional effects, combined with unequal mobilization between the winners and losers of reforms, is the most common explanation for why socially beneficial proposals fail to pass. Yet a welfare-enhancing reform implies the possibility of compensating the negatively affected parties in a way that renders them

whole, while still leaving everyone else better off. Kaldor first presented this argument in 1939, but steered clear of making claims about when such compensation would be advisable. We pick up where Kaldor left off, by offering a first look at the determinants of democratic support for public buyouts.

We review past examples across different policy domains, from agricultural reform to phase-outs of coal energy, and outline a theory of buyouts that lists some of the considerations in favor or against buyouts in specific contexts. Among these, we highlight the importance of moral hazard, non-material considerations over the “deservingness” of compensation recipients, and concerns over excessive government intervention.

We then test these expectations against survey data, by assessing attitudes towards buyouts using three surveys amounting to a total sample of 6000 American respondents, looking at two main issue-areas: coal power phase-outs, and tax filing simplification, both of which have long been blocked by vested interest groups. To further home in on the mechanism, we also consider respondents’ views to an analogous proposal that abstracts away from economic considerations: an offer of asylum to a foreign dictator to quell a civil conflict. In each case, we ask whether domestic audiences are favorable to the proposal, and what these attitudes depend on. Finally, we test how open individuals are to rescinding compensation once the reform is achieved, as a means of getting at oft-cited fears over policy reversal on the part of buyout recipients.

The findings offer a number of important takeaways. Buyouts enjoy considerable support among respondents, and this support is correlated across different settings, from coal phase-out and tax reform to asylum for dictators. Yet the level of support is driven both by partisanship and the program’s recipients: buyouts aimed at individual workers find significantly more favor than those aimed at the companies that employ them. And while buyouts are envisioned among economists as means of securing welfare-enhancing reforms, respondents appear to view them primarily through a normative lens. Buyouts recipients are thought to either *deserve* compensation or not, and these normative considerations dominate concerns over issues like moral hazard. Finally, potential targets of buyout proposals may have good reason to fear policy reversals: a *majority* of respondents are not opposed to rescinding compensation to the targets of buyouts as soon as the reform is passed. Those who favor the reform are also more likely to favor suspending compensation.

Taken together, these findings suggest that buyouts may provide tenable solutions to enduring policy stalemates. Yet the viability of buyouts is conditional on policy design: a successful buyout scheme would focus on the individual workers who stand to lose from reform, rather than the firms that employ them. It would highlight the legitimate expectations these workers held when they first entered their industry, by way

of speaking to their “deservingness”. To gain the buy-in of buyout recipients, in turn, compensation could be structured with larger payments up-front, as a way of rendering the commitment to compensation more credible. Use of other hand-tying mechanisms, like international treaties, may be another means of quelling fears of policy reversal.

In taking a first step towards assessing the political viability of buyout schemes, this article leaves much room for future research. As the discussions of past buyouts in coal and agriculture suggest, some countries (like Canada and Australia) appear more inclined to implementing public buyouts than others (like the US). Studying national differences in public attitudes, political institutions, and industrial organization, may serve to explain such cross-sectoral variation. Future work should also look more closely at how program design affects buy-in. In this respect, the effect of varying the structure of compensation could be further examined.

Additional questions also remain over the normative aspects of buyouts. In our discussion, we limit the case for buyouts to instances where compensation is necessary to pass reforms. Yet there is a broader normative case for extending compensation even to cases where reform would be politically achievable without it. This is implicit in Hicks’ comment from 1939, when he argued that failure to compensate those on the losing side of welfare-enhancing reforms has given “all sound policy a bad name”—a view reinforced by the recent populist backlash against globalization across industrialized countries. In this telling, feedback effects following uncompensated reforms might be seen as a delayed form of mobilization which nonetheless reduces the effectiveness of these reforms.

One effect of including buyouts in policymakers’ menu of options may be to highlight the adjustment costs of welfare-enhancing reforms, and incentivize them to provide a better sense of the benefits that would outweigh these adjustment costs. In this way, the viability of a buyout can be thought of as useful test for the desirability of reform. Stated otherwise, one condition for Pareto improvements is that there be some amount of compensation that the winners of a reform are willing to offer for the reform to go through, and that those on the losing side are willing to accept.

Another implication of our discussion is to highlight the considerable costs to society that come from vested interest groups blocking welfare-enhancing reforms. While the focus of policymaking is traditionally on producing novel policy ideas, a more fruitful direction might be to work towards bringing existing policy ideas into being. We show that buyouts may be one democratically compatible means of doing so.

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Buy-in for Buyouts

Supporting Information

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A US Coal Buyout Estimate

The Canadian province of Ontario resorted to a buyout when it shut down its last coal plant in 2014. The province of Alberta then followed suit, modelling its phase-out on Ontario's. An election that brought Conservatives into power then scuttled this deal, but Alberta's calculations nonetheless provide a useful to assess the cost of an equivalent buyout of US coal-fuelled power plants would cost. Using this approach, we arrive at a figure of USD 80 billion, which we use in the survey experiment.

Alberta agreed to pay the 6 of its 18 plants that would have remained operating after the 2030 mandated phase-out 97 Million CAD annually for 14 years to cease activity by 2030. In 2016, the US produced 1,239,149 GWh of energy from coal. The Alberta buyout paid their six coal producers 73,465 CAD for each GWh of annual energy produced. Multiplying this figure by the annual amount of energy from coal in the US amounts to CAD 91 billion, or about USD 72 billion. Updated for inflation, and taking into account the compensation that would be required of the freight rail industry that has also lobbied against shut down of coal plants (70% of current rail traffic in the US is devoted to coal (Council et al., 2010)), we arrive at a highly approximate figure of USD 80 billion. For perspective, an estimate in 2014 put that number at USD 50 billion (Gil Friend, Felix Kramer. 2014. "Deal of the Century: Buy Out the US Coal Industry for \$50BN" The Guardian.) A re-examination two years later noted that this amount did not include miners' pensions.³²

These estimates suggest the right order of magnitude, though precise calculations of how much it would cost to render the coal industry "whole" are highly contingent on modelling assumptions. Relevant to our theoretical discussion, the actual cost of a buyout is ultimately the outcome of bargaining between a government and an interest group.

B Reasons to Oppose a Buyout

1. Industries that block beneficial reforms do not deserve compensation from taxpayer dollars.
2. Industries that harm society do not deserve compensation from taxpayer dollars.
3. Compensating one industry will encourage other industries to block beneficial reforms in the future.
4. By making large payments to industries, the government is interfering too much with the economy.
5. This industry, and the jobs it represents, deserve government protection.
6. Other reason [write-in]

³²See: "The federal government should buy coal plants, shut them down and pay to retrain their employees" Washington Post. Stephen L. Kass. June 3, 2016. "A not-so-modest climate proposal: why not just buy out the US coal industry?" Vox. Brad Plumer. Jun 7, 2016.

C Correlations in Buyout Preferences

Table 3: Correlations between individual-level support for buyouts across three policy domains.

	Coal	Tax	Amnesty
Coal	1	.	.
Tax	0.55	1	.
Amnesty	0.36	0.41	1

D Survey Administration

To measure the level and determinants of support for buyout programs, we conducted three online surveys, each with a sample of 2000 American adults, which we recruited to meet population quotas by age, gender, Census region, and education, covering a total of 6000 respondents.

The first survey, which sought to get at overall approval rates for buyouts, was conducted between May 31st and June 4th 2021 by the survey firm Dynata. A second follow-up survey sought to address a corollary question, and was fielded through the same firm between August 9th and 20th (see Section G). A third survey focused on the underlying reasoning behind rates of approval for buyouts, and was fielded through the survey firm Prolific between August 29th and Sept 1st 2022. In all cases, respondents who failed an attention check were excluded from the survey.

E Novel policy instrument

Does learning about the possibility of a buyout affect people’s approval of the underlying reform?

In a follow-up to our first study, we asked whether being asked to consider the proposal of buying out the coal industry might have an effect on individuals’ approval for the underlying reform—that is, phasing out coal energy. Buyouts are an unfamiliar policy idea to most respondents, and they bring into stark relief the social cost from blocked reforms. Is this enough to change people’s minds about the need for reform in the first place?

To get at this possibility, we randomized the stage at which respondents were asked about their approval for the reform. All respondents were offered the same contextual information about the social costs of coal production, and lobbying by the coal industry. Then, half of survey respondents were randomly assigned to the *Early buyout mention* treatment condition, in which we mentioned the buyout proposal plan, and its costs and benefits, as in the first experiment, above. The *Late buyout mention* group saw no mention of buyouts at first. All respondents were then asked their views about the desirability of phasing out coal. This allowed us to test whether exposing respondents to the very concept of a buyout, and its Pareto-improving quality, might affect their views about social costs of coal, and make them think more favorably about phasing out coal through any means necessary.

In the same study, and following some of the written-in explanations respondents offered in Study 1, we added two questions about government redistribution, since many respondents appeared to view buyouts in terms of redistribution of income, rather than as a means of securing beneficial reforms. First, we used a standard question to elicit respondents’ support for income redistribution. Secondly, we asked a random subset of respondents whether they had received a Covid relief check during the pandemic. In each case, the aim is to test whether attitudes towards redistribution drive beliefs about buyouts. If so, then we would expect that controlling for demographic traits and political partisanship, those more in favor of redistribution, or those who were reminded of having benefited from government support during the pandemic, would also be more in favor of buyout proposals.

F Are Buyouts a Means of Reform or Redistribution?

We are interested in whether buyouts are perceived as policy instruments aimed at passing welfare-enhancing reforms, or as redistributive programs. That is, do domestic audiences interpret buyouts through the means used, or the end sought?

All aforementioned proposals for buyout schemes in agriculture (e.g. the Boschwitz-Boren proposal in 1985), trade (e.g. the proposals floated during the debates over the British Corn Laws), and coal-fuelled power (e.g. Friend and Cramer’s “deal of the century” to buy out the US coal industry) view compensation of the affected parties as a means of securing welfare improvements. Similarly, the primary intent of buying out the ship building industry in exchange of repealing the Jones Act would be to attain the resulting efficiency, rather than transferring tax revenue to a declining US industry—even as doing so might have merit on grounds of fairness or equity.³³ More plainly still, drawing on our third vignette in Study 1, offering amnesty to dictators is intended to quell a civil conflict, rather than allowing brutal political leaders a comfortable retirement. In sum, compensation in most buyout schemes would not be offered if there were a means of passing the underlying welfare-enhancing reform without it. In this understanding, buyouts are defined by their end (welfare improvement), rather than their means (compensation).

Yet the written-in comments to our first survey, which we detail below, offer reason to believe that large government transfers, no matter their professed intent or effective outcome, are often viewed on the basis of moral desert, whereby voters evaluate whether the recipients “deserve” compensation. In other words, buyouts may be viewed primarily through the lens of redistribution. This matters, insofar as individual attitudes on redistribution vs. efficiency tend to align with ideological positions along a left-right political spectrum. So which view dominates when it comes to buyouts?

We get at this question in two different ways. First, we test whether rates of approval for buyouts correlate with support for a broadly formulated question about government redistribution.³⁴ Secondly, we ask a random selection of our respondents whether they received a “Covid-19 check” during the pandemic. The mention of Covid checks is meant to prime respondents to think about redistribution; those that received it may grow more open to redistribution, while those that did not may become less open. We thus compare the rate of approval of buyouts among respondents who received a check and those who did not with the control group that was not primed with the Covid-19 check question.

Buyouts are designed to achieve welfare-enhancing reforms, yet any large compensation package may instead be seen as a means of redistribution. Since views about redistribution are highly polarized, we take a closer look at how much attitudes towards redistribution are driving beliefs about buyouts.

First, and most simply, we asked all respondents whether they favored fiscal redistribution, using the following standard question, with responses on a scale from 0 to 10:

How much do you agree or disagree with the following statement? Government should try to reduce the differences in income between people with high incomes and those with low incomes.

The bivariate correlation alone (0.51) suggests the high relation between elicited views about redistribution and approval for the coal buyout. This association is statistically significant in a regression, the estimates of which are shown in Figure F.1, and remains unaffected by the inclusion of a “Democrat” indicator

³³Addressing the issue on normative grounds raises a number of other considerations. Among these, one might ask what expectations an interest group had at the outset, and how they came to be “vested with their interests” in the first place. Investment law takes a similar approach when it asks whether an investor’s “legitimate expectations” have been breached. This line of argument has been frequently pursued in the last decade under the fair and equitable treatment (FET) standard. See Potestà (2013).

³⁴Following the formulation of similar redistribution questions in nationally representative surveys, we ask respondents: *How much do you agree or disagree with the following statement? Government should try to reduce the differences in income between people with high incomes and those with low incomes.*

variable of political ideology. In fact, the association between political ideology shown in the descriptives above seems largely driven by views on redistribution, insofar as it has no significant effect when included simultaneously in the model.

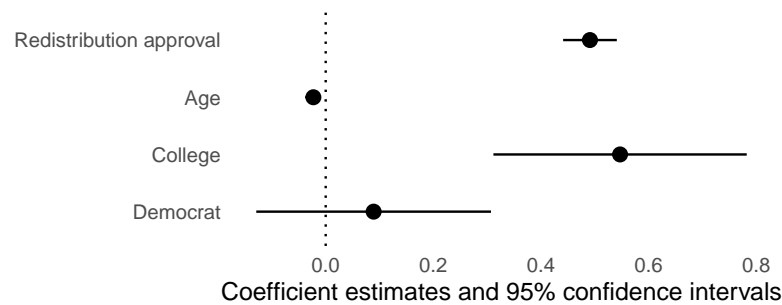


Figure F.1: Approval for fiscal redistribution and support for coal buyout

Secondly, before eliciting their views about buyouts, a random subset of our respondents were asked whether they received a Covid-19 stimulus check from the government at any point during the pandemic. The question reads:

The US government sent checks to millions of Americans who lost income during the Covid pandemic. Did you personally receive any Covid relief funds during the pandemic?

Looking at the results, 71% of respondents who were presented with the Covid question indicated that they received a Covid stimulus check; 29% said they had not. In the ideal experimental setting, we would randomize whether someone received government stimulus. Given the impracticality of doing this, our random priming of respondents to think about whether they received relief funds is a weaker treatment, and a necessarily second-best approach. It also means we cannot rule out the possibility of bias. In particular, those who oppose government intervention may be less likely to declare that they have received a relief payment. Nevertheless, the findings remain telling of the association between views on redistribution and views on buyouts.

Figure F.2 shows the estimates in a regression setting, where estimates of recipients vs. non-recipients of Covid-19 government relief are shown, with the control group the omitted category, and controls for the same demographic variables as above. These results indicate that respondents primed to think about how they benefited from government relief became more likely to approve a coal buyout; but the much stronger effect was in the opposite direction: respondents primed to think about how they did *not* receive a Covid check became markedly *less* favorable to a coal buyout. The effect in substantive terms is akin to the shift in attitudes associated with going from a Democrat to a non-Democrat.

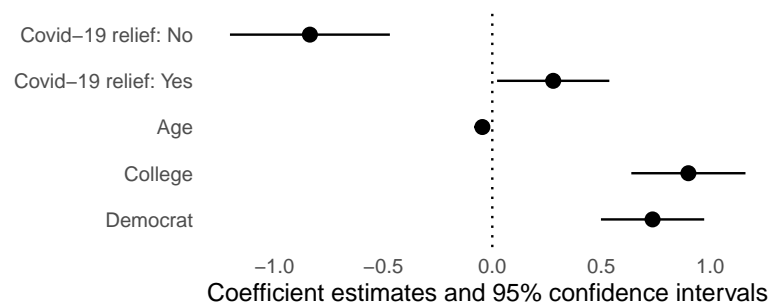


Figure F.2: Covid relief recipients and support for coal buyout

Taken together, these disparate pieces of evidence suggest that respondents view buyout schemes through

the lens of fiscal redistribution. Whether it is buyouts of coal workers to phase out coal plants, or buyouts of tax software companies to simplify tax filing, respondents view these primarily as means of propping up those on the losing side of an eventual reform, rather than as the necessary condition for that reform. Accordingly, views about buyouts largely align with preferences over redistribution.

G Mobilizing Potential

Do buyout proposals have a mobilizing potential?

Might the mere mention of a buyout option sway public opinion about the underlying reform? Buyouts are an unfamiliar policy proposal to most respondents, and they bring in stark relief the social cost from blocked reforms: by demonstrating how even given a very large money transfer to holdouts, policy reform would still bring benefits, they illustrate the magnitude of the existing efficiency loss. Buyout proposals, by themselves, may thus lead respondents to update their priors about the primary reform in question. If so, such an effect might be a threat to inference, but it would also hold significant policy implications. The updating effect of proposing a buyout might be enough to increase the odds of passing the underlying reform.

To explore this possibility, we conducted a follow-up survey experiment. We offered all respondents the same contextual information about the social costs of coal production, and lobbying by the coal industry. Then, half of survey respondents were randomly assigned to the *Early exposure* treatment condition, in which we mentioned the buyout proposal plan, and its costs and benefits, as in the first experiment, above.³⁵ The *Late exposure* group saw no mention of buyouts at first. All respondents were then asked their views about a forceful coal phase-out:

In general, do you agree that the US government should do everything it can to shut down coal-burning energy plants in the coming decade?

If the distribution of answers differs significantly between our treatment conditions, we could conclude that the mere fact of introducing a proposal for a buyout—with all that it implies about the social cost of stalled reform, and the unlikelihood of passing this reform without first addressing the associated political economic standoff—might itself affect public opinion. In other words, information about interests groups successfully mobilizing against beneficial change over an extended period might make the individual citizen value change more highly. Figure G.3 shows that, for better or worse, this does not appear to be the case: the distribution of views for each treatment group appears highly similar, with the *Early exposure* group slightly more favorable to the reform. A regression approach suggests the same: the mere mention of a buyout, and querying respondents about their views on it, does have a positive effect on individual attitudes towards the underlying reform, but it falls short of statistical significance ($p=0.16$).

³⁵The text reads: *Some people say that because of how powerful the coal industry is, the only way to close coal-burning energy plants is to compensate the coal industry for its eventual losses. This would cost about \$80 billion dollars now, but it would end up saving Americans money on healthcare.*

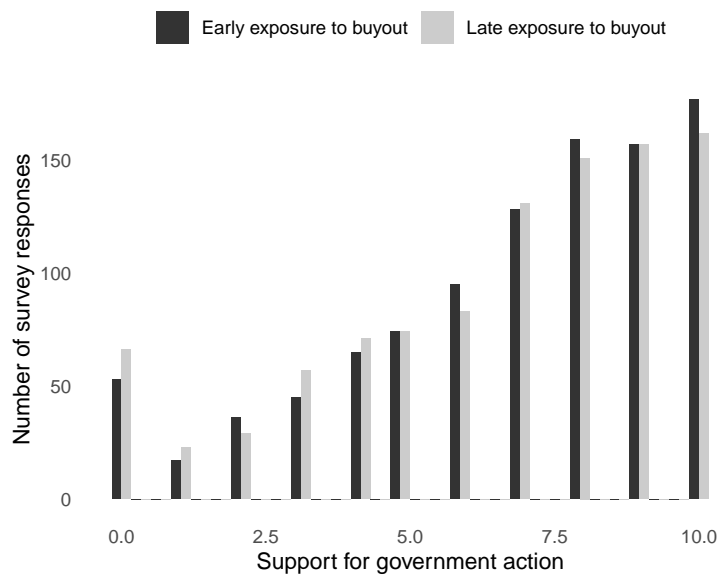


Figure G.3: *In general, do you agree that the US government should do everything it can to shut down coal-burning energy plants in the coming decade?*

H Deontological vs. Consequentialist Scales

To measure respondents deontological and consequentialist orientations, we ask a series of 8 questions on a 0 to 10 scale from “Completely Disagree” to “Completely Agree.” Deontological:

- It is never justified to cause harm or suffering to anyone.
- Some rules should never be broken, even if breaking them allows for a greater good.
- Some principles are universal: they do not depend on circumstances.
- A person’s life is sacred, and killing is always wrong.

Consequentialist:

- If causing harm or suffering to a person makes it possible to achieve greater good for a greater number of people, then it is justifiable.
- There are circumstances that justify breaking some rules, especially when breaking them enables achieving a greater good.
- Sometimes the ends justify the means.
- If sacrificing one person means saving many more, then it is permitted.

I Descriptive statistics

Table 4: Estimated average treatment effects in the Coal, Tax, and Dictator vignettes.

	Coal	Tax	Dictator
(Intercept)	5.556 (0.129)	4.605 (0.135)	4.899 (0.116)
Government intervention	-0.237 (0.160)	0.223 (0.167)	
Moral hazard	-0.577 (0.154)	0.185 (0.162)	0.174 (0.161)
Workers	0.704 (0.128)	0.436 (0.135)	
Moral principle			-0.126 (0.162)
Num.Obs.	2001	2001	2001
R2	0.021	0.006	0.002
R2 Adj.	0.020	0.005	0.001
AIC	9905.3	10 096.3	9990.2
BIC	9933.3	10 124.3	10 012.6
Log.Lik.	-4947.671	-5043.141	-4991.117
F	14.682	4.196	1.807
RMSE	2.87	3.01	2.93
Std.Errors	HC1	HC1	HC1

	Unique	Missing Pct.	Mean	SD	Min	Median	Max
Income	12	1	5.1	2.3	0.0	5.0	10.0
Tax: Support	11	0	5.0	3.0	0.0	5.0	10.0
Coal: Support	11	0	5.6	2.9	0.0	6.0	10.0
Dictator: Support	11	0	4.9	2.9	0.0	5.0	10.0
		N	Age	18-34	606	30.3	
	35-54	649	32.4				
	55+	746	37.3				
Gender	Man	968	48.4				
	Woman	1027	51.3				
	Other	6	0.3				
Education	Less than high school graduate	251	12.5				
	High school graduate	709	35.4				
	Some college or associate s degree	382	19.1				
	University completed or higher	659	32.9				
Party ID	Independent	516	25.8				
	Democrat	763	38.1				
	Republican	591	29.5				
Tax: Argument	Control	668	33.4				
	Government intervention	667	33.3				
	Moral hazard	666	33.3				
Tax: Recipient	Corporations	1002	50.1				
	Workers	999	49.9				
Coal: Argument	Control	673	33.6				
	Government intervention	663	33.1				
	Moral hazard	665	33.2				
Coal: Recipient	Corporations	997	49.8				
	Workers	1004	50.2				
Dictator: Argument	Control	664	33.2				
	Moral hazard	668	33.4				
	Moral principle	669	33.4				

Table 5: Descriptive statistics for categorical variables collected in the May 2021 survey.

		N	%
Age	18-34	606	30.3
	35-54	649	32.4
	55+	746	37.3
Gender	Man	968	48.4
	Woman	1027	51.3
	Other	6	0.3
Education	Less than high school graduate	251	12.5
	High school graduate	709	35.4
	Some college or associate s degree	382	19.1
	University completed or higher	659	32.9
Party ID	Independent	516	25.8
	Democrat	763	38.1
	Republican	591	29.5
Tax: Argument	Control	668	33.4
	Government intervention	667	33.3
	Moral hazard	666	33.3
Tax: Recipient	Corporations	1002	50.1
	Workers	999	49.9
Coal: Argument	Control	673	33.6
	Government intervention	663	33.1
	Moral hazard	665	33.2
Coal: Recipient	Corporations	997	49.8
	Workers	1004	50.2
Dictator: Argument	Control	664	33.2
	Moral hazard	668	33.4
	Moral principle	669	33.4

	Unique	Missing Pct.	Mean	SD	Min
Support: “buyout”	11	0	6.4	2.8	0.0
Support: “do everything”	11	0	6.6	2.9	0.0
		N	Buyout plan	Gradual	100%
	Immediate	1006	50.0		
Covid check	No	278	13.8		
	Yes	725	36.1		
	NA	1007	50.1		
Education	Less than high school graduate	187	9.3		
	High school graduate	413	20.5		
	Some college or associate s degree	710	35.3		
	University completed or higher	700	34.8		
Gender	Man	967	48.1		
	Woman	1040	51.7		
	Other	3	0.1		
Age	18-34	649	32.3		
	35-54	761	37.9		
	55+	600	29.9		
Income	Less than USD 24,900	267	13.3		
	From USD 25,000 to USD 34,900	234	11.6		
	From USD 35,000 to USD 49,999	254	12.6		
	From USD 50,000 to USD 74,999	301	15.0		
	From USD 75,000 to USD 99,999	275	13.7		
	From USD 100,000 to USD 149,999	273	13.6		
	From USD 150,000 to USD 200,000	303	15.1		
	Over USD 200,000	103	5.1		
Party ID	Independent	399	19.9		
	Democrat	792	39.4		
	Republican	728	36.2		

Table 6: Descriptive statistics for categorical variables collected in the August 2021 survey on coal buyouts.

		N	%
Buyout plan	Gradual	1004	50.0
	Immediate	1006	50.0
Covid check	No	278	13.8
	Yes	725	36.1
	NA	1007	50.1
Education	Less than high school graduate	187	9.3
	High school graduate	413	20.5
	Some college or associate s degree	710	35.3
	University completed or higher	700	34.8
Gender	Man	967	48.1
	Woman	1040	51.7
	Other	3	0.1
Age	18-34	649	32.3
	35-54	761	37.9
	55+	600	29.9
Income	Less than USD 24,900	267	13.3
	From USD 25,000 to USD 34,900	234	11.6
	From USD 35,000 to USD 49,999	254	12.6
	From USD 50,000 to USD 74,999	301	15.0
	From USD 75,000 to USD 99,999	275	13.7
	From USD 100,000 to USD 149,999	273	13.6
	From USD 150,000 to USD 200,000	303	15.1
	Over USD 200,000	103	5.1
Party ID	Independent	399	19.9
	Democrat	792	39.4
	Republican	728	36.2

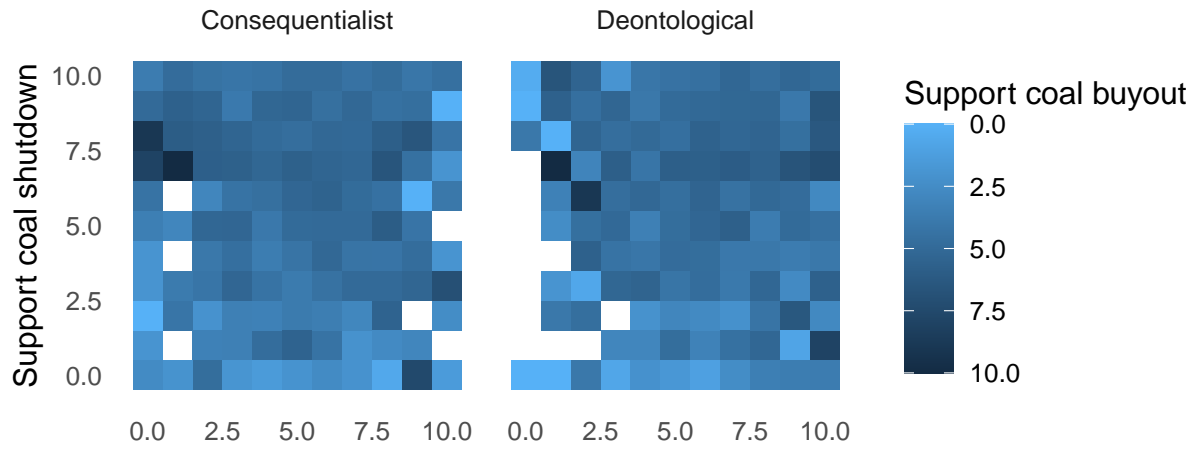


Figure I.4: Support for coal buyouts, by level of baseline support and moral dimension.

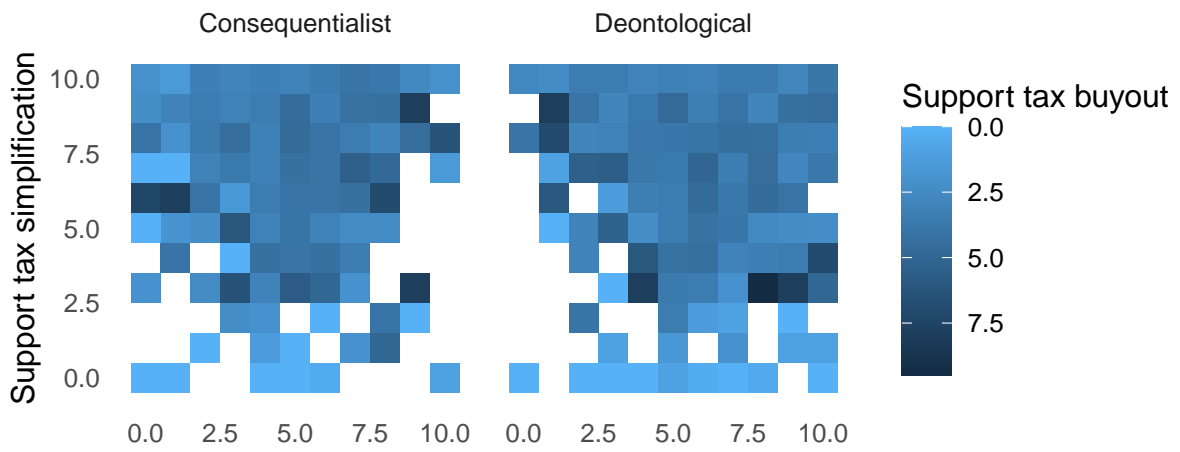


Figure I.5: Support for tax buyouts, by level of baseline support and moral dimension.

J Quotas, Weights, and demographic controls

Table 7 compares the composition of our three survey samples to proportions from US Census data. Since our samples are close to but not identical to Census proportions, in Tables 9 and 10, we replicate the main models reported in the text, including demographic controls and survey weights to approach Census proportions. We construct weights using software by Lumley (2023).

Table 7: Comparison of demographic characteristics from the US Census to realized percentages in three survey samples.

Group	Census	May 2021	August 2021	August 2022
Gender				
Man	49	49	48.2	47
Woman	51	51	51.8	53
Age				
18-34	29	30	32.3	33
35-54	32	32	37.9	36
55+	39	37	29.9	31
Education				
Less than high school graduate	14	13	9.3	2
High school graduate	27	35	20.5	33
Some college or associate s degree	26	19	35.3	25
University completed or higher	33	33	34.8	41

Table 8: Determinants of support for buyout proposals, controlling for baseline level of support, age, gender, education, and party id.

	Coal		Tax	
	I	II	III	IV
(Intercept)	5.166 (0.756)	5.935 (0.761)	4.908 (1.085)	5.252 (1.110)
Baseline	0.100 (0.029)	0.104 (0.029)	-0.025 (0.035)	-0.025 (0.035)
Consequentialist		0.045 (0.040)		0.078 (0.039)
Deontological	0.180 (0.038)		0.138 (0.037)	
Republican	-0.742 (0.252)	-0.716 (0.252)	-0.384 (0.239)	-0.376 (0.240)
Democrat	-0.183 (0.227)	-0.250 (0.229)	0.187 (0.219)	0.125 (0.220)
High school	-1.433 (0.706)	-1.450 (0.692)	-0.740 (1.013)	-0.720 (1.033)
Some college	-1.647 (0.712)	-1.636 (0.698)	-0.891 (1.015)	-0.851 (1.035)
University completed or higher	-1.613 (0.704)	-1.682 (0.690)	-1.061 (1.012)	-1.092 (1.031)
35-54	-0.788 (0.172)	-0.684 (0.174)	-1.479 (0.176)	-1.375 (0.177)
55+	-1.161 (0.175)	-0.943 (0.179)	-2.476 (0.177)	-2.268 (0.180)
Woman	0.359 (0.142)	0.421 (0.144)	0.400 (0.141)	0.468 (0.142)
Num.Obs.	1972	1972	1972	1972
R2	0.066	0.054	0.111	0.106
Std.Errors	HC3	HC3	HC3	HC3

K Issue Polarization

In Table 2, we showed that the baseline level of support for coal phase out was positively related to the predicted level of support for renegeing on a buyout commitment. However, this did not appear to be the case for tax reform, as the coefficient associated with baseline support was not statistically distinguishable from zero. One likely explanation for this pattern is that the issue of coal phase out is more polarized than the issue of tax simplification. Indeed, if some respondents feel *very* strongly that coal should not be phased out of the energy sector, they are unlikely to support renegeing on a promise made by government to the coal sector.

To explore this possibility, we sort responses to the baseline support variable into bins: Strong opposition [0, 2.5]; Weak opposition [2.5, 5]; Neutral 5; Weak support [5, 7.5], Strong support [7.5, 10]. Then, we estimate two linear regression models with two interactions: Baseline Support \times Deontological and Baseline Support \times Consequentialist. Finally, for each model, and for each bin, we compute the predicted level of support for renegeing.

Figure K.6 suggests that polarization may indeed account for part of the pattern. Specifically, the group of respondents in “Strong Opposition” to a Coal Phaseout also appear to be *much* less supportive of renegeing on a buyout promise. The other end of the spectrum shows an opposite pattern, albeit in a milder form: respondents who are strongly in favor of the phase-out are more likely to support renegeing. Preferences around renegeing do seem to be driven in large part by survey respondents who are most polarized on the underlying issue.

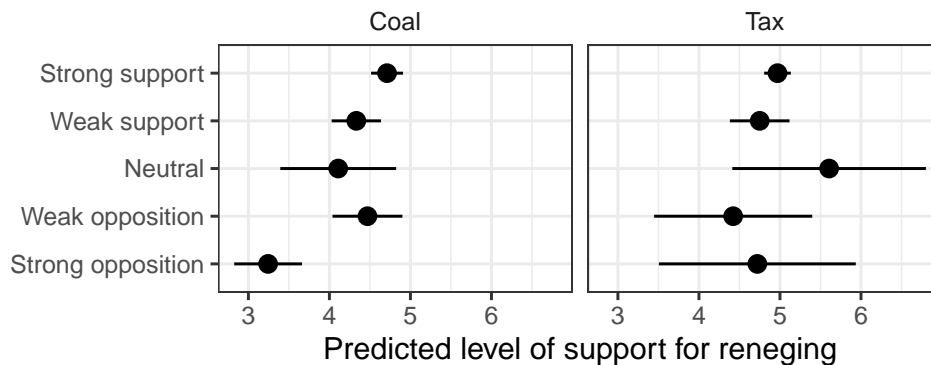


Figure K.6: Predicted level of support for renegeing on a buyout promise, as a function of (binned) baseline support for phase out.

L Software Bibliography

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M Conformity with pre-registration

The following tables and figures were not pre-registered and should thus be treated as exploratory:

- Table 3: Correlations between individual-level support for buyouts across three policy domains.
- Figure 2: The association between socio-demographic characteristics and support for buyout and amnesty plans.
- Figures 4a and 4b: Support for coal and tax buyouts, by level of baseline support and moral dimension.
- Table 2: Determinants of support for renegeing on a buyout promise, controlling for partisan identification.

The following analyses were pre-registered but are not reported in the main text. They are reported in appendix and the results contained therein do not affect our substantive conclusions.

- Table 11 shows the level of support for buyouts by partisan identification.
- The estimates in Figure M.7 are nearly identical to those in Figure 3: The former are estimated by interacting each of the treatment indicators with our demographic controls (age, education, gender), and then taking the average contrast between each treatment arm (following Lin 2013). The reported standard errors are heteroskedasticity-robust (HC3).

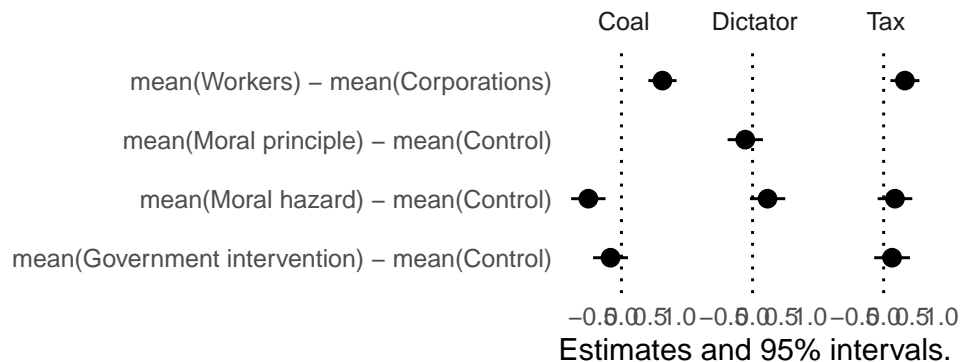


Figure M.7: Estimated average contrasts between treatment groups in the Coal, Tax, and Dictator vignettes. Treatment indicators are interacted with demographic variables: education, age, and gender.

Minor departure from pre-registration:

- For simplicity, Table 1 in the text does not include socio-demographic controls. As Table 9 shows, these controls do not make a meaningful change in the substantive results.

Table 9: Determinants of support for buyout proposals, using survey weights.

	Coal		Tax	
	I	II	III	IV
(Intercept)	2.833 (0.366)	2.794 (0.361)	2.816 (0.765)	2.506 (0.798)
Baseline	0.189 (0.037)	0.178 (0.036)	0.030 (0.081)	0.040 (0.090)
Consequentialist		0.154 (0.056)		0.144 (0.091)
Deontological	0.109 (0.044)		0.083 (0.069)	
Num.Obs.	1972	1972	1972	1972
R2	0.038	0.043	0.003	0.008

Table 10: Determinants of support for renegeing on a buy-out promise, using survey weights.

	Coal		Tax	
	I	II	III	IV
(Intercept)	4.014 (0.495)	2.528 (0.479)	4.284 (0.878)	2.519 (0.875)
Baseline	0.160 (0.046)	0.145 (0.045)	0.161 (0.093)	0.165 (0.105)
Consequentialist		0.169 (0.076)		0.180 (0.085)
Deontological	-0.114 (0.055)		-0.127 (0.066)	
Num.Obs.	1972	1972	1972	1972
R2	0.025	0.031	0.013	0.019
Std.Errors	HC3	HC3	HC3	HC3

Table 11: Republicans are less likely to support coal shutdown than Democrats.
 Democrats and Republicans support tax simplification in about equal
 measure.

	Independent		Democrat		Republican		Mean	SD
	Mean	SD	Mean	SD	Mean	SD		
Coal shutdown	6.45	2.89	8.01	2.16	4.30	3.23	6.85	3.02
Tax simplification	8.62	1.71	8.79	1.74	8.39	2.19	8.66	1.87

CONFIDENTIAL - FOR PEER-REVIEW ONLY
Attitudes toward large-scale buyouts in the tax and coal industries (#67024)

Created: 05/27/2021 08:15 AM (PT)

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1) Have any data been collected for this study already?

No, no data have been collected for this study yet.

2) What's the main question being asked or hypothesis being tested in this study?

Is mass support for large-scale industry buyouts affected by the identity of the compensated group (workers or companies)? Is mass support for large-scale industry buyouts affected by arguments against such government-backed reforms (moral hazard or excessive government intervention)?

3) Describe the key dependent variable(s) specifying how they will be measured.

Do you agree that the government should compensate [tax software companies / workers in the tax industry] for their losses in order to simplify tax filing?

Do you agree that the government should compensate [the coal industry / coal workers] for their losses in order to shut down coal plants?

Strongly disagree 0; Strongly agree 10

4) How many and which conditions will participants be assigned to?

Respondents will read two vignettes: one about tax filing reform and one about coal energy phase-out. Each vignette includes the same two dimensions of treatment. There are 6 conditions (2 x 3). The order of the coal and tax vignettes is randomized.

Experiment 1 Treatment 1: The "industry/companies" are blocking reform and would receive compensation.

Experiment 1 Treatment 2: "Workers" are blocking reform and would receive compensation.

Experiment 2 Treatment 1: No other information is given (control)

Experiment 2 Treatment 2: Buyout creates moral hazard

Experiment 2 Treatment 3: Buyout would be excessive government intervention

5) Specify exactly which analyses you will conduct to examine the main question/hypothesis.

We estimate a linear regression model via ordinary least squares with heteroskedasticity consistent standard errors:

$$Y = b_0 + b_1 X + b_2 W_1 + b_3 W_2 + e,$$

where Y is the outcome variable on a scale of 0 to 10; X is equal to 1 for respondents in the "Industry" condition and 0 for respondents in the "Workers" condition; W_1 is a binary variable equal to 1 for respondents in the "Moral Hazard" condition; W_2 is a binary variable equal to 1 for respondents in the "Government Intervention" condition; and the omitted category refers to people in the control condition who read no counter argument to the buyout plan.

The quantities of interest are the b1, b2, and b3 coefficients, and we will test if they are statistically different from zero.

6) Describe exactly how outliers will be defined and handled, and your precise rule(s) for excluding observations.

An attention check is administered immediately after the consent form. Respondents who fail this check are excluded from the survey.

7) How many observations will be collected or what will determine sample size? No need to justify decision, but be precise about exactly how the number will be determined.

We will recruit 2,000 American adults to answer our survey. Respondents will meet population quotas for age, gender, Census region, and education.

8) Anything else you would like to pre-register? (e.g., secondary analyses, variables collected for exploratory purposes, unusual analyses planned?)

To improve the efficiency of our estimates, we will consider an alternative model with a full set of multiplicative interactions between the treatment variables and de-meaned control variables (age, gender, education), following the suggestion in Lin (2013, Annals of Applied Statistics).

We ask an (optional) open question after each vignette where respondents can explain their choice. We analyze responses to these questions qualitatively.

CONFIDENTIAL - FOR PEER-REVIEW ONLY
The politics of buyout programs (August 2022 v2) (#105692)

Created: 08/29/2022 07:49 AM (PT)

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1) Have any data been collected for this study already?

No, no data have been collected for this study yet.

2) What's the main question being asked or hypothesis being tested in this study?

There is a positive correlation between consequentialist thinking and support for coal and tax industry buyouts. There is a negative correlation between deontological thinking and support for coal and tax industry buyouts.

3) Describe the key dependent variable(s) specifying how they will be measured.

The government should compensate the coal industry for its losses in order to shut down coal plants.

The government should compensate the tax industry for its losses in order to simplify tax filing.

Strongly disagree 0; Strongly agree 10.

4) How many and which conditions will participants be assigned to?

We measure consequentialist and deontological thinking using two sets of 4 questions on 0-10 scales. We create two indices by taking the respondent-level means of each set of questions.

Consequentialist questions: If causing harm or suffering to a person makes it possible to achieve greater good for a greater number of people, then it is justifiable. There are circumstances that justify breaking some rules-especially when breaking them enables achieving a greater good. Sometimes the ends justify the means. If sacrificing one person means saving many more, then it is permitted.

Deontological questions: It is never justified to cause harm or suffering to anyone. Some rules should never be broken, even if breaking them allows for a greater good. Some principles are universal: they do not depend on circumstances. A person's life is sacred, and killing is always wrong.

Strongly disagree 0; Strongly agree 10.

5) Specify exactly which analyses you will conduct to examine the main question/hypothesis.

We estimate four bivariate linear regression models with support for tax/coal buyouts as outcome variables, and consequentialist/deontological scales as explanatory variables. Statistical significance is assessed at the 0.05 level against the null of zero coefficients, using heteroskedasticity consistent standard errors.

We will also estimate four multiple linear regression models with support for tax/coal buyouts as outcome variables, consequentialist/deontological scales as explanatory variables, baseline level of support for reform as control, and sociodemographic controls: age, gender, education, income, party id, and census region.

6) Describe exactly how outliers will be defined and handled, and your precise rule(s) for excluding observations.

Two attention checks are administered in the early section of the survey. Respondents who fail both checks are excluded from the survey.

7) How many observations will be collected or what will determine sample size? No need to justify decision, but be precise about exactly how the number will be determined.

The sample comprises 2,000 US respondents recruited on the Prolific platform to meet population quotas for gender, age group, and education level. We construct survey weights to correct for residual imbalances across these demographics as well as to rectify imbalances across racial groups and Census regions.

8) Anything else you would like to pre-register? (e.g., secondary analyses, variables collected for exploratory purposes, unusual analyses planned?)

Before describing the buyout programs, we will establish the baseline level of support for shutting down the coal industry and for tax filing reform. We will ask if respondents would support a government who decides to break its commitment to compensate an industry after the fact, when a buyout deal is struck, the policy is implemented, and the reform has taken place.

We will report histograms with the full distributions of answers to each of those questions.

We will report cross-tabs to show the average responses to each of those questions separately for Democrats and Republicans.

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Attitudes toward amnesties for dictators (#67047)

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1) Have any data been collected for this study already?

No, no data have been collected for this study yet.

2) What's the main question being asked or hypothesis being tested in this study?

Our goal is to measure public attitudes towards the possibility of granting amnesty to dictators. What are the effects of moral hazard or principles-based arguments on attitudes toward such an amnesty?

3) Describe the key dependent variable(s) specifying how they will be measured.

Imagine that a foreign dictator is willing to give up power and put an end to a civil war. In exchange, he wants to avoid prison and retire safely in Switzerland. Should the United States support this kind of deal?

"Strongly oppose" (0) "Strongly support" (10).

4) How many and which conditions will participants be assigned to?

Vignette:

"In many countries, dictators brutally repress their citizens in order to stay in power. When dictators lose power, they are often sent to prison or killed. Some people say that if we allowed dictators to retire safely, they would be less desperate to stay in power, and would use less violence to crack down against their citizens."

Three conditions:

- (1) Control: No counter argument
- (2) Moral hazard argument: Others say that letting dictators avoid legal consequences encourages other leaders to resort to violent repression.
- (3) Moral principle argument: Others say that it is wrong to let dictators get away with their crimes.

5) Specify exactly which analyses you will conduct to examine the main question/hypothesis.

Linear regression model estimated by ordinary least squares with heteroskedasticity consistent standard errors: $Y = b_0 + b_1 W_1 + b_2 W_2 + e$

where Y is the outcome variable on a scale of 0 to 10; W1 is a binary variable equal to 1 for respondents in the "Moral Hazard" condition; W2 is a binary variable equal to 1 for respondents in the "Moral Principle" condition; and the omitted category refers to people in the control condition in which respondents read no counter argument.

The primary quantities of interest are the b1 and b2 coefficients, and we will test if they are statistically different from zero. We will also conduct a Wald test to check if b1 and b2 are statistically distinguishable from each other.

6) Describe exactly how outliers will be defined and handled, and your precise rule(s) for excluding observations.

An attention check is administered immediately after the consent form. Respondents who fail this check are excluded from the survey.

7) How many observations will be collected or what will determine sample size? No need to justify decision, but be precise about exactly how the number will be determined.

We will recruit 2,000 American adults to answer our survey. Respondents will meet population quotas for age, gender, Census region, and education.

8) Anything else you would like to pre-register? (e.g., secondary analyses, variables collected for exploratory purposes, unusual analyses planned?)

To improve the efficiency of our estimates, we will consider an alternative model with a full set of multiplicative interactions between the treatment variable and de-meaned control variables (age, gender, education), following the suggestion in Lin (2013, Annals of Applied Statistics).

At the end of the experiment we ask an (optional) open question where respondents can explain their choice. We analyze responses to these questions qualitatively.