

Perceptions of Inequality

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Outline

This talk: Perceptions – and not only reality– are key in shaping people's views on policies.

1. A Tool for research: Why use surveys?
2. Belief in the American Dream shapes views on redistribution
3. Who benefits from redistribution? Misperceptions about immigrants.
4. Worse news about inequality decreases trust in government, does not increase demand for redistribution.
5. Misunderstanding of and views on tax policy.

A Tool for Research: Why Use Surveys?

Some things are invisible in other datasets, no matter how high quality.

Surveys were used before for things we can now better see in admin data.

Perceptions, attitudes, reasoning underlying econ behavior & outcomes.

High-quality surveys are key. Large sample, representative or targeted.

There are “surveys” .. and then there are “surveys.” Design interactive, animated, intuitive questions and treatments.

Experimental components. Can control info and frame provided.

Combined with natural experiments.

Belief in the “American Dream” Shapes Views on Redistribution

MORE SOCIAL MOBILITY
& EQUAL OPPORTUNITY



LESS NEED FOR
REDISTRIBUTION &
MORE UNEQUAL
OUTCOMES ARE FAIR

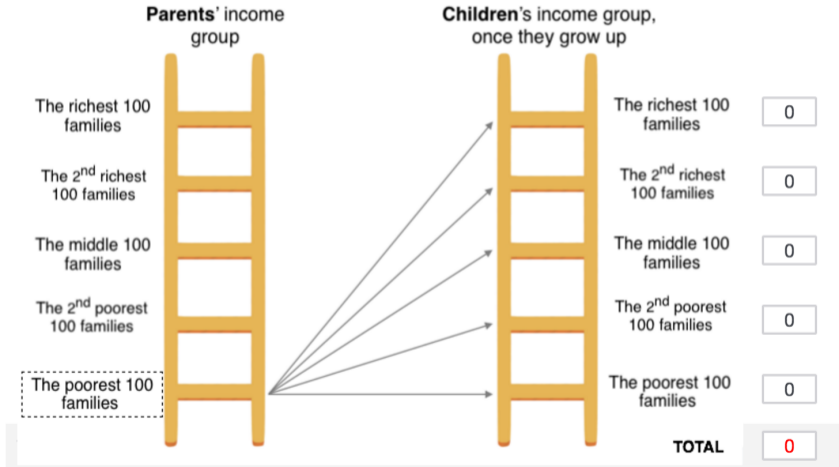
MORE **PERCEIVED**
SOCIAL MOBILITY &
EQUAL OPPORTUNITY



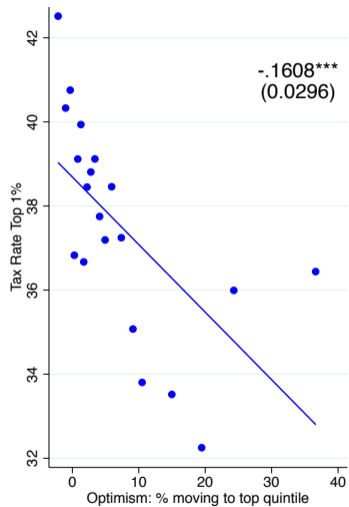
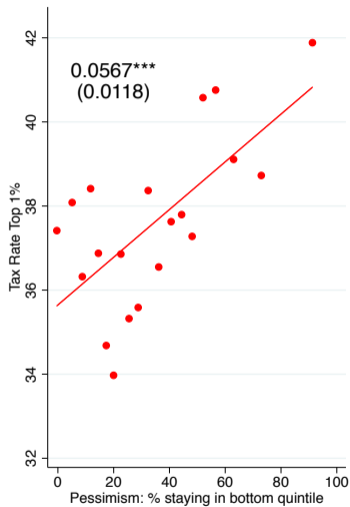
LESS NEED FOR
REDISTRIBUTION &
MORE UNEQUAL
OUTCOMES ARE FAIR

Eliciting respondent's beliefs on upward mobility

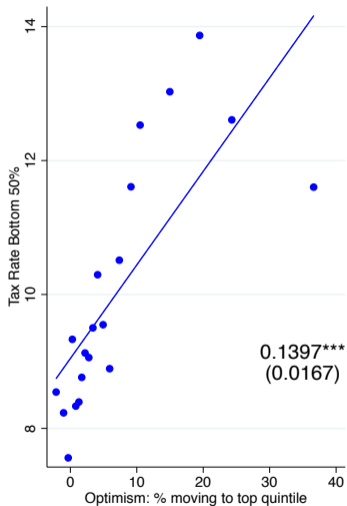
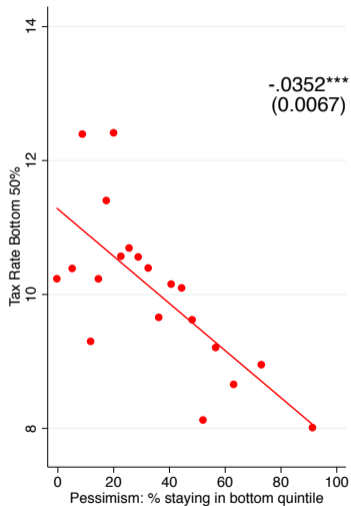
Here are **500 families** that represent the US population:



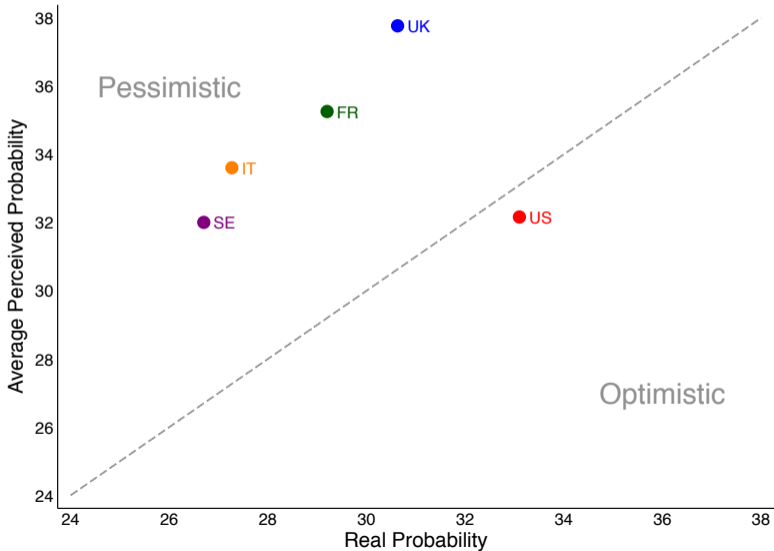
Pessimism, Optimism, and Top Tax Rate



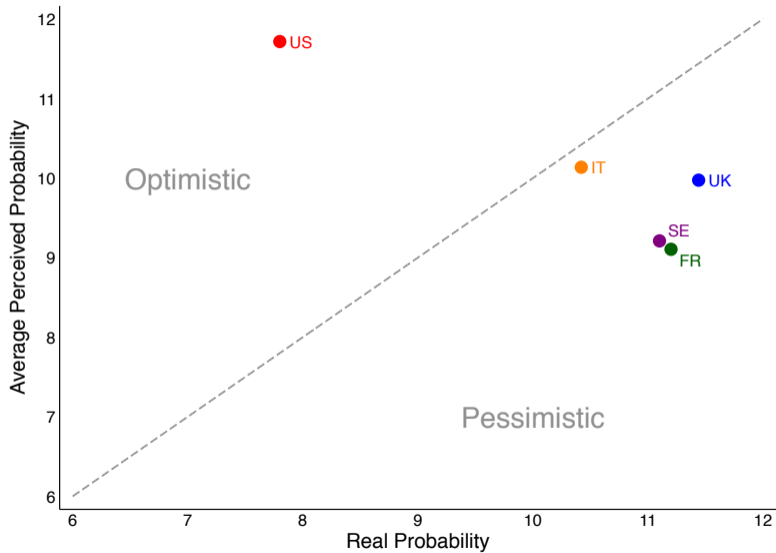
Pessimism, Optimism, and Bottom Tax Rate



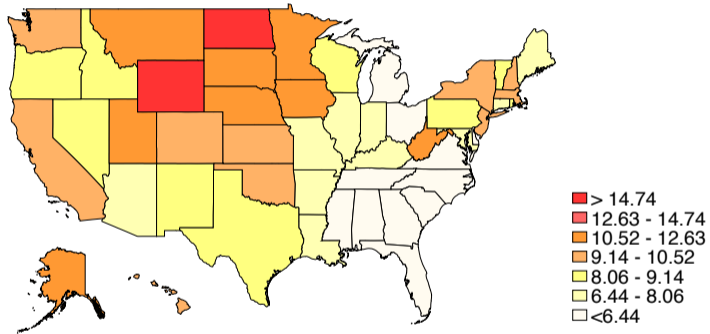
Probability of Staying in Bottom Quintile (Actual vs. Perceived)



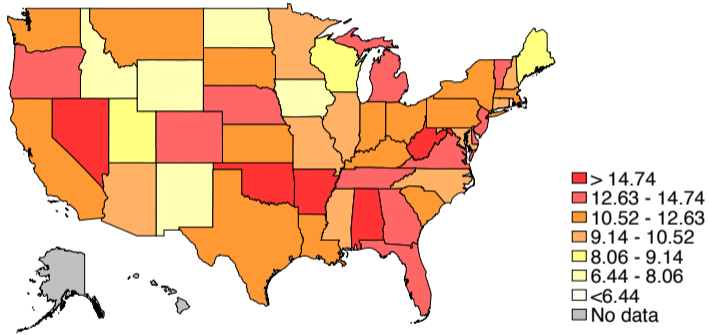
Probability of Moving to Top Quintile (Actual vs. Perceived)



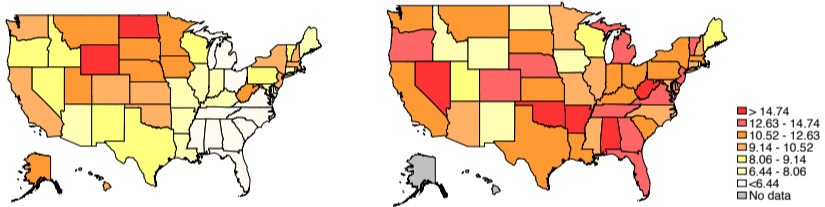
Actual probability of moving from bottom to top quintile



Perceived probability of moving from bottom to top



Actual and perceived probability of moving from bottom to top quintile



Who Benefits from Redistribution? Wrong Views about Immigrants

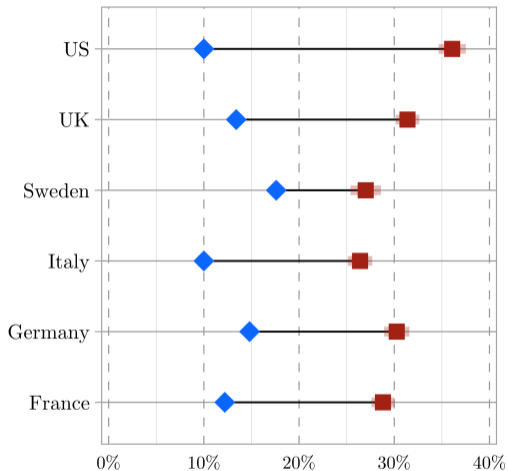
Generosity travels less well across national, religious, ethnic lines

Simply making people **think** about immigrants before asking questions on preferred progressivity and redistribution reduces support for redistribution.

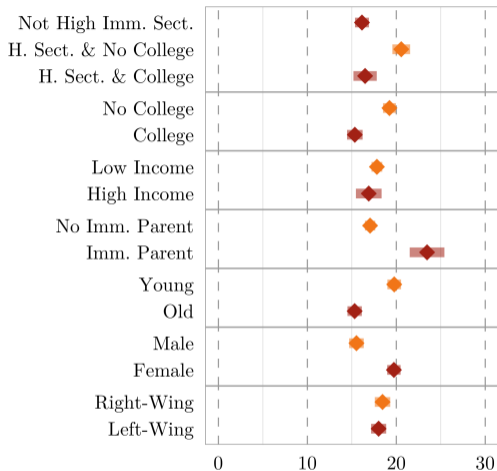
Including private donations to charity.

But perceptions about immigrants are very wrong.

Perceived Share of Immigrants

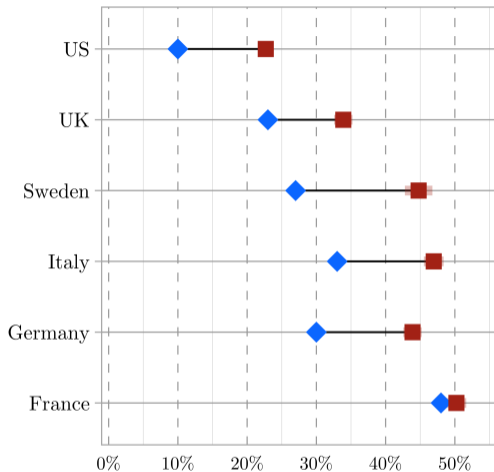


◆ Actual ■ Perceived (mean)



Misperception (in % points)

Perceived Share of Muslim Immigrants



Share of Muslim Immigrants

◆ Actual ■ Perceived (mean)

Not High Imm. Sect.

H. Sect. & No College

H. Sect. & College

No College

College

Low Income

High Income

No Imm. Parent

Imm. Parent

Young

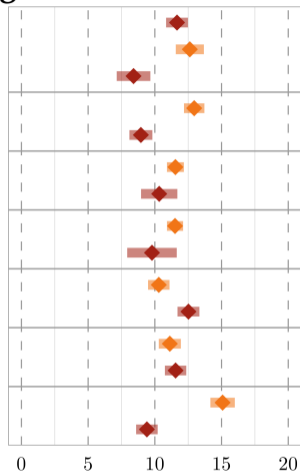
Old

Male

Female

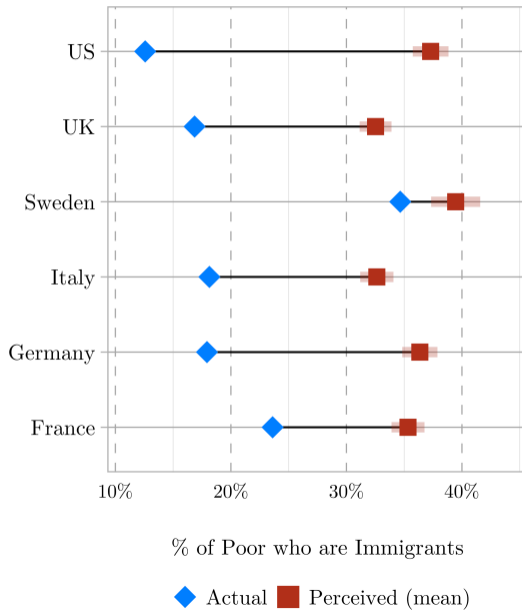
Right-Wing

Left-Wing

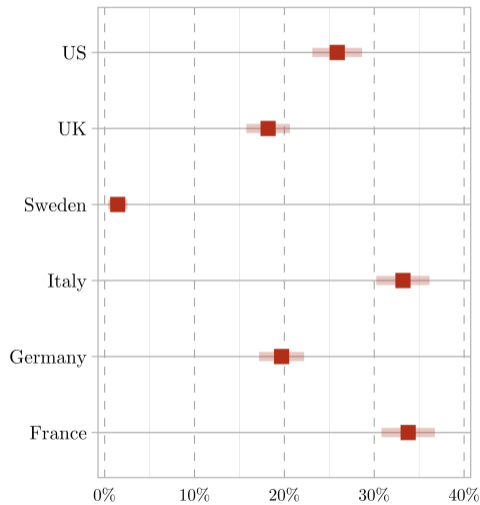


Misperception (in % points)

Perceived Share of Poor that are Immigrants



Does Mohammad Get More Transfers & Pay Less Taxes than John?



Share of Respondents



Share of Respondents

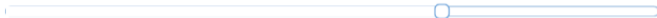
Worse News about Inequality: Less Trust in Government,
Not More Demand for Redistribution

Where are you in the income distribution?

Please enter your annual household income* in the box below:

\$

39% of US households earn less than your household



We now encourage you to move the blue slider above (by clicking on the line) to explore the US income distribution on your own and to answer the questions below.

79% of households earn less than **\$73,000** .

https://hbs.qualtrics.com/SE/?SID=SV_77fSvTy12ZSBihn

▶ Back to Main

Where would you have been in the income distribution?

Income Inequality has increased dramatically in the United States since 1980.
Incomes of poorer and middle-income families have grown very little while top incomes have grown a lot.

How would YOU be doing if inequality had not increased?

The slider below shows how much each group would make if incomes had grown by the same percentage since 1980 for all groups: the poor, the middle class, and the rich. Use the slider to answer the questions below.

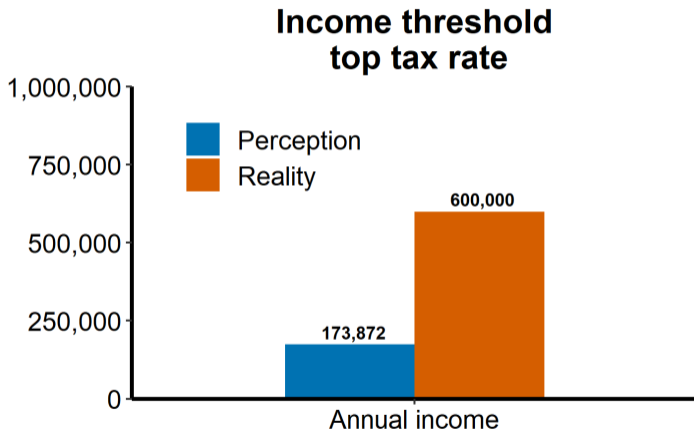


A household making **\$25,800** today would instead be making **\$35,200** if inequality had not changed since 1980.
In other words, if growth had been evenly shared, this household would have earned **37% more.**

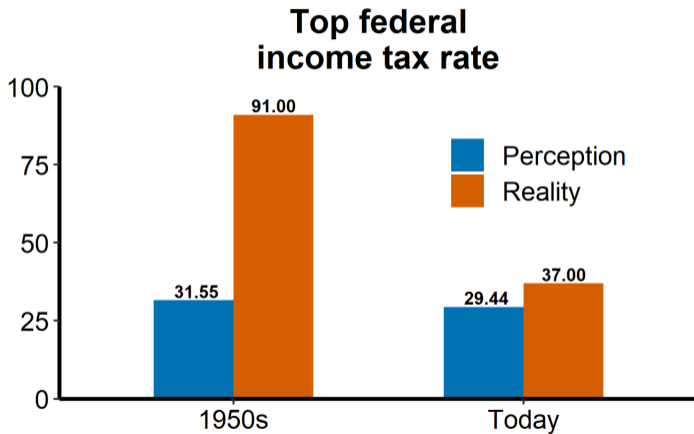
https://hbs.qualtrics.com/SE/?SID=SV_77fSvTy12ZSBihn

Misunderstanding of and Views on Tax Policy

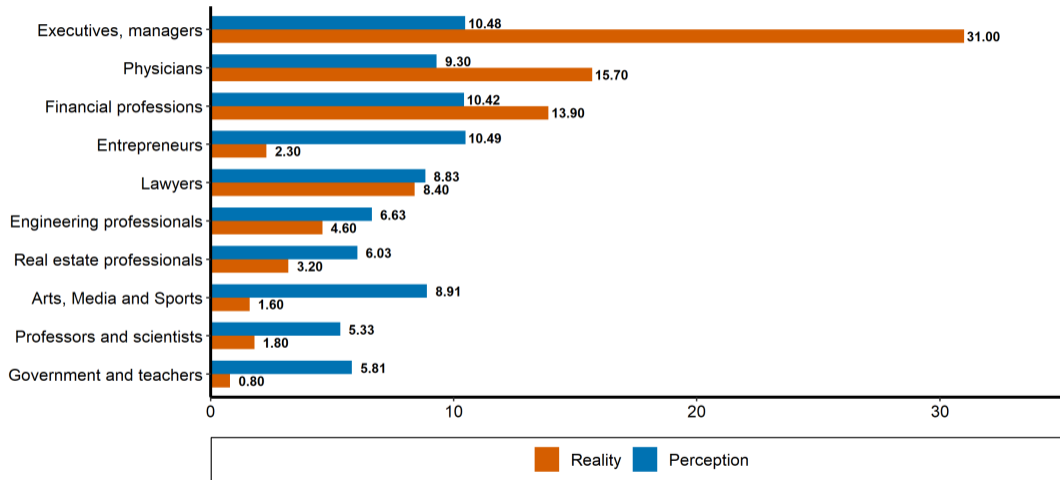
Everyone Thinks Top Tax Bracket Kicks In at Much Lower Income Levels



No One Knows How High Top Tax Rates Were in the 1950s



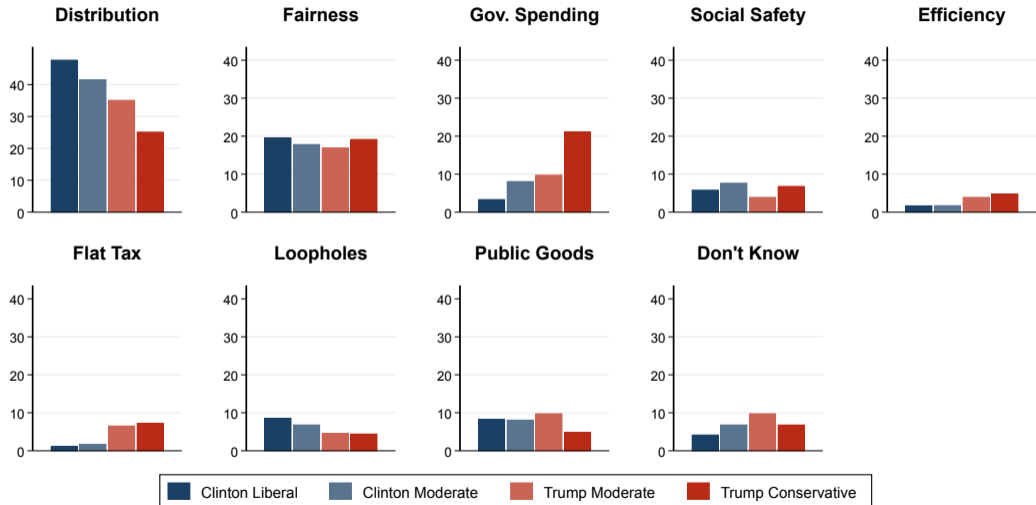
Overestimate Share of Entrepreneurs, Scientists, Entertainers in Top 1%. Underestimate Managers and Executives.



What Should Be the Goal of a Good Income Tax System?



What are Key Considerations about Income Tax?



The Estate Tax: Unpopular and Misunderstood

People think 364 out of 1000 households pay estate tax.

Exemption threshold believed to be \$4.6 million

Do parts of tax reforms go unnoticed when packaged with others?

Just informing people about who pays estate tax leads to much more support for it.

What are the main perceived shortcomings of the estate tax?

What are Key Considerations about Estate Tax?

