Perceptions of Inequality
Using Social Economics Surveys

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Outline

This talk: Perceptions – not only reality– are key in shaping people's views on policies. Social Economics Survey Labs help get into people's minds and understand perceptions, beliefs, attitudes.

1. A new tool for research: Why use "Social Economics 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 New Tool for Research: Why Use Social Economics 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 $\Rightarrow$ LESS NEED FOR REDISTRIBUTION & MORE UNEQUAL OUTCOMES ARE FAIR
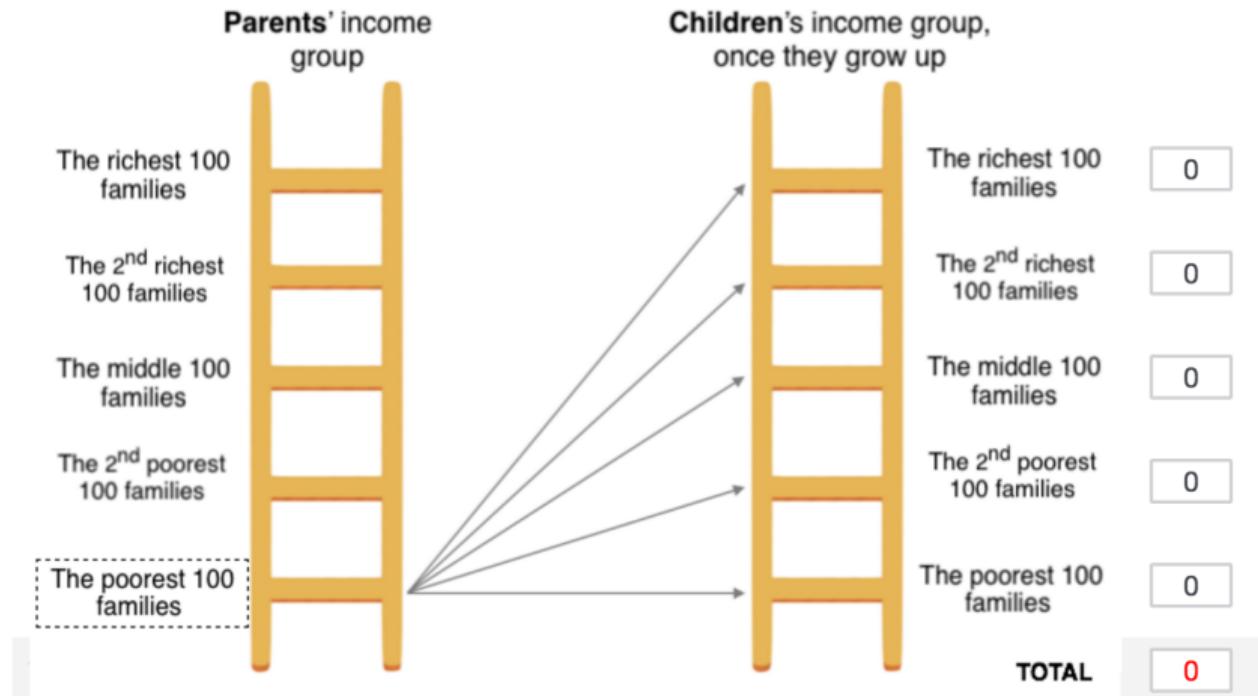
MORE PERCEIVED
SOCIAL MOBILITY &
EQUAL OPPORTUNITY

$\Rightarrow$
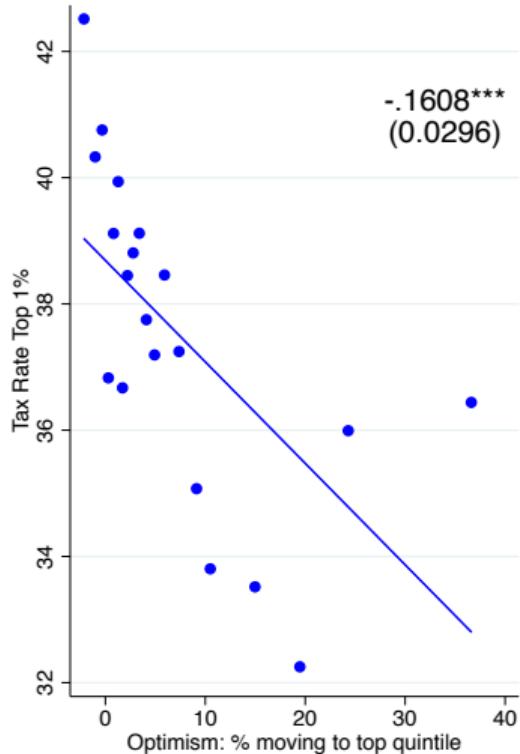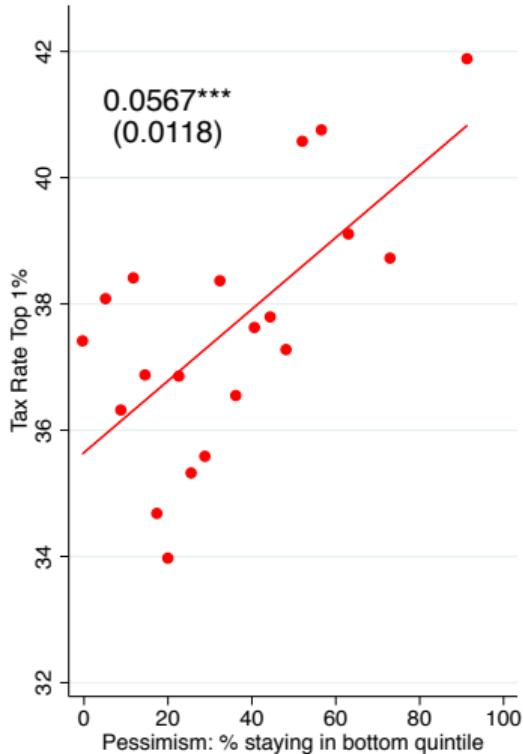
LESS NEED FOR
REDISTRIBUTION   &
MORE UNEQUAL
OUTCOMES ARE FAIR

Eliciting respondent's beliefs on upward mobility
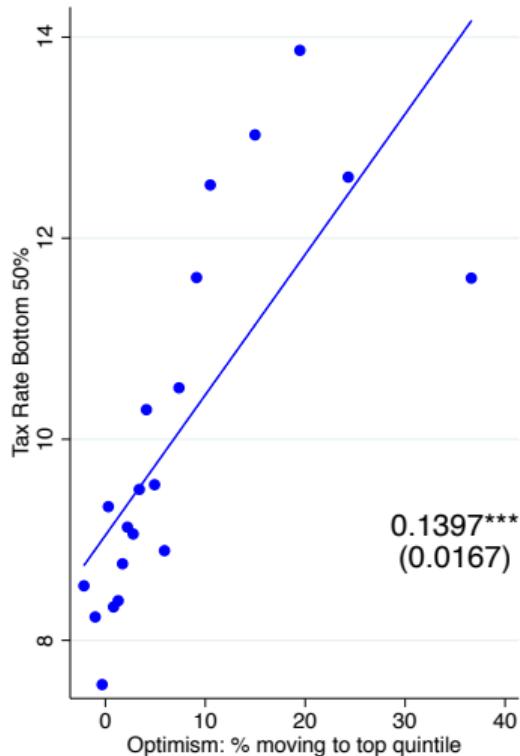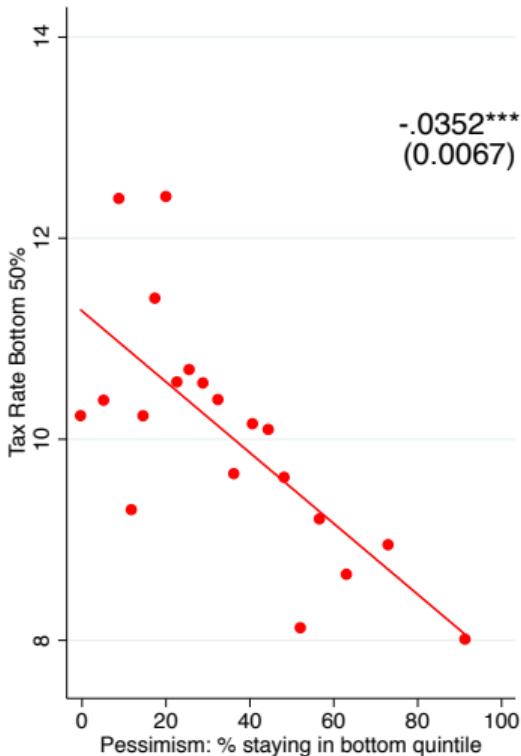
Here are **500 families** that represent the US population:

Parents' income group		Children's income group, once they grow up	
The richest 100 families		The richest 100 families	0
The 2nd richest 100 families		The 2nd richest 100 families	0
The middle 100 families		The middle 100 families	0
The 2nd poorest 100 families		The 2nd poorest 100 families	0
The poorest 100 families		The poorest 100 families	0
		TOTAL	0
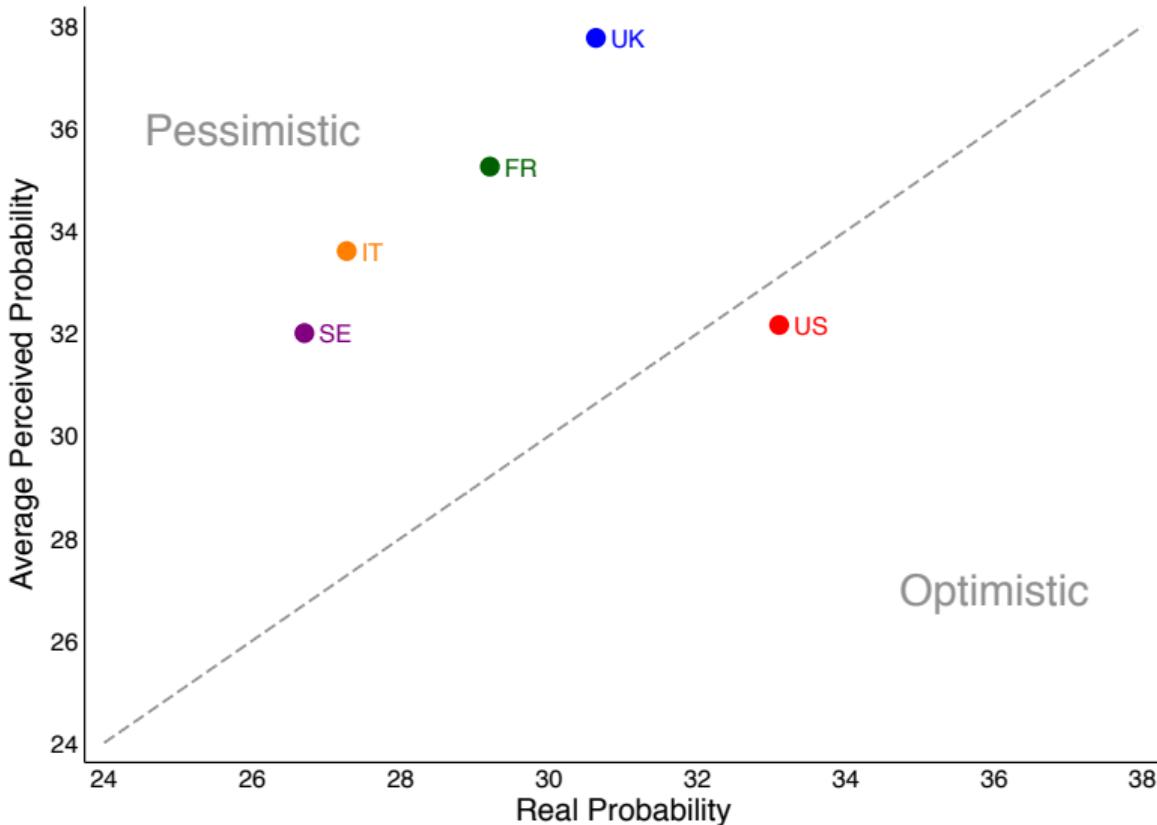
Pessimism, Optimism, and Top Tax Rate


0.0567***
(0.0118)

-.1608***
(0.0296)
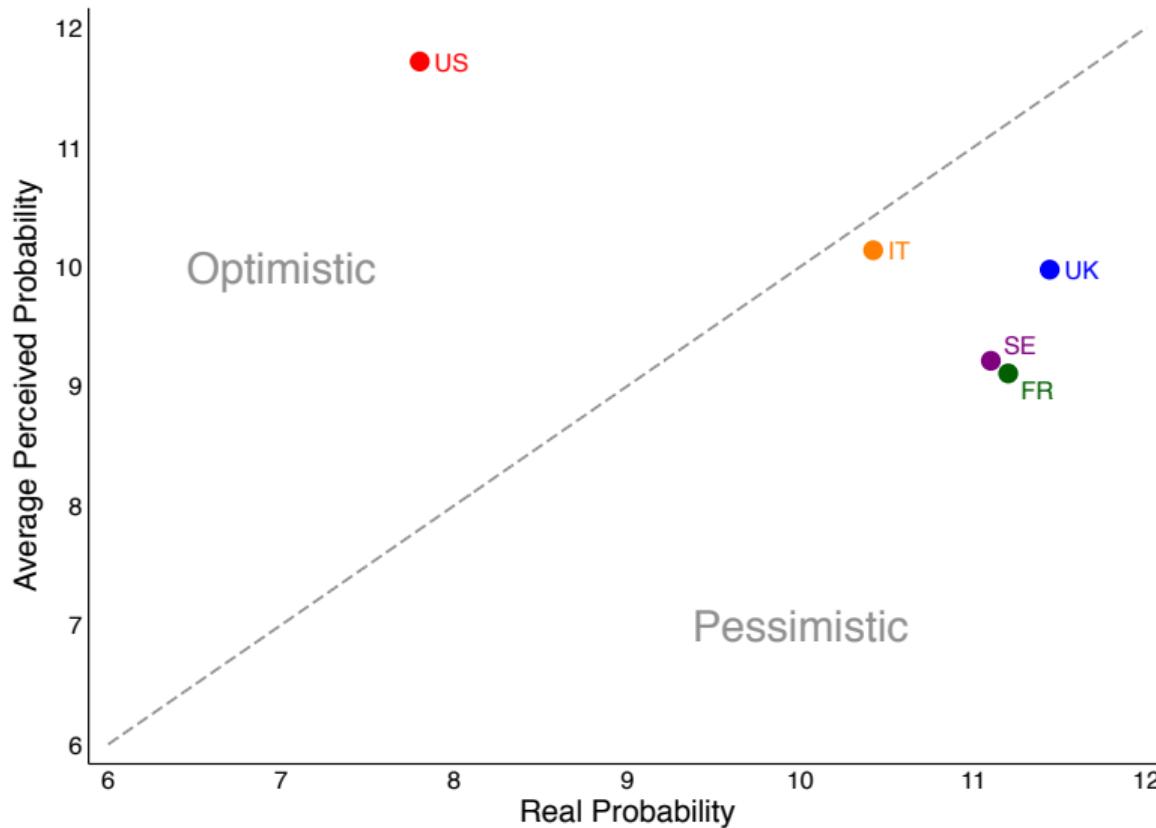
# Pessimism, Optimism, and Bottom Tax Rate
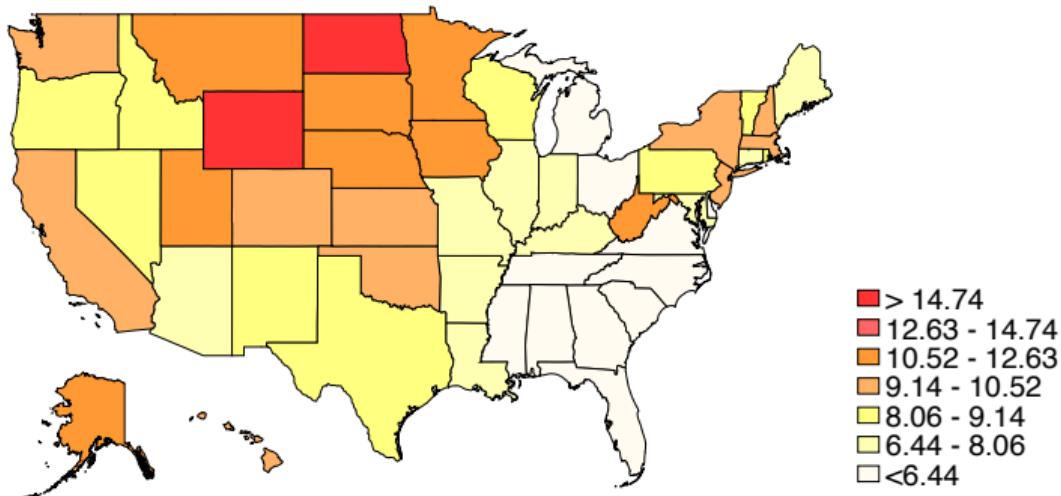
Probability of Staying in Bottom Quintile
(Actual vs. Perceived)
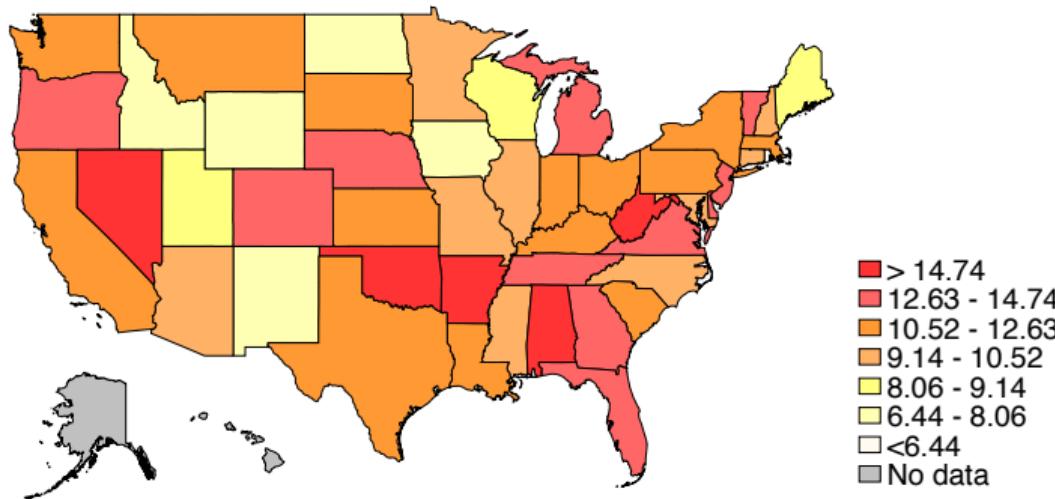
# Probability of Moving to Top Quintile (Actual vs. Perceived)

2011
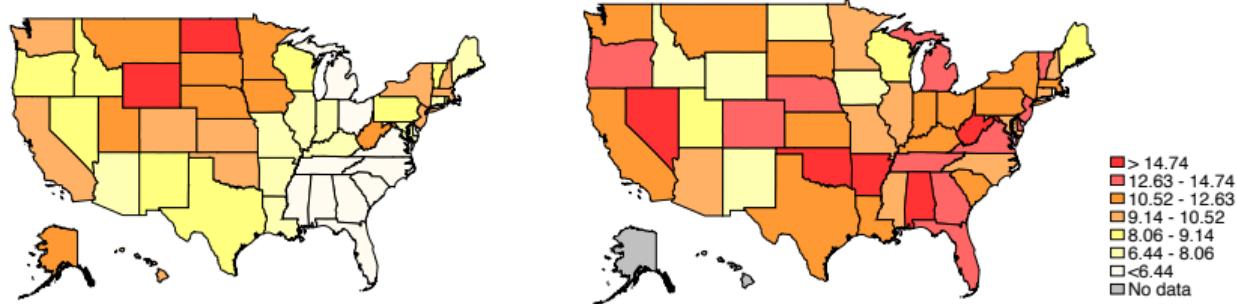
Actual probability of moving from bottom to top quintile
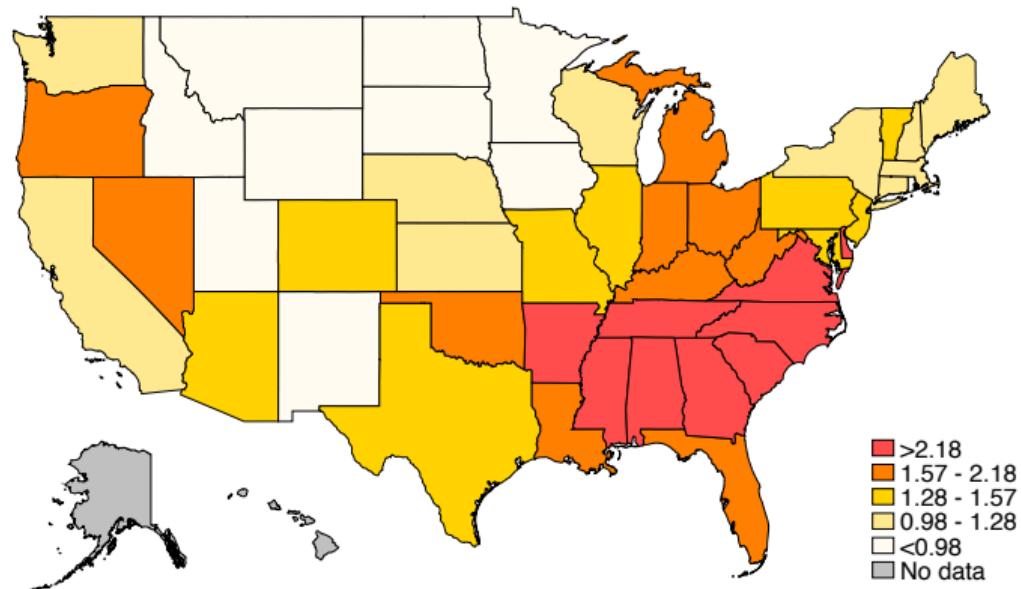
> 14.74
12.63 - 14.74
10.52 - 12.63
9.14 - 10.52
8.06 - 9.14
6.44 - 8.06
<6.44

Perceived probability of moving from bottom to top

Legend:
- > 14.74
- 12.63 - 14.74
- 10.52 - 12.63
- 9.14 - 10.52
- 8.06 - 9.14
- 6.44 - 8.06
- <6.44
- No data

28|1

Actual and perceived probability of moving from bottom to top quintile

Legend:
- > 14.74
- 12.63 - 14.74
- 10.52 - 12.63
- 9.14 - 10.52
- 8.06 - 9.14
- 6.44 - 8.06
- <6.44
- No data

Ratio of actual local and perceived probability of moving from bottom to top

Legend:
- >2.18
- 1.57 - 2.18
- 1.28 - 1.57
- 0.98 - 1.28
- <0.98
- No data

What are local perceptions correlated with, controlling for individual-level characteristics? ▸ National

# Who Benefits from Redistribution? Wrong Views about Immigrants
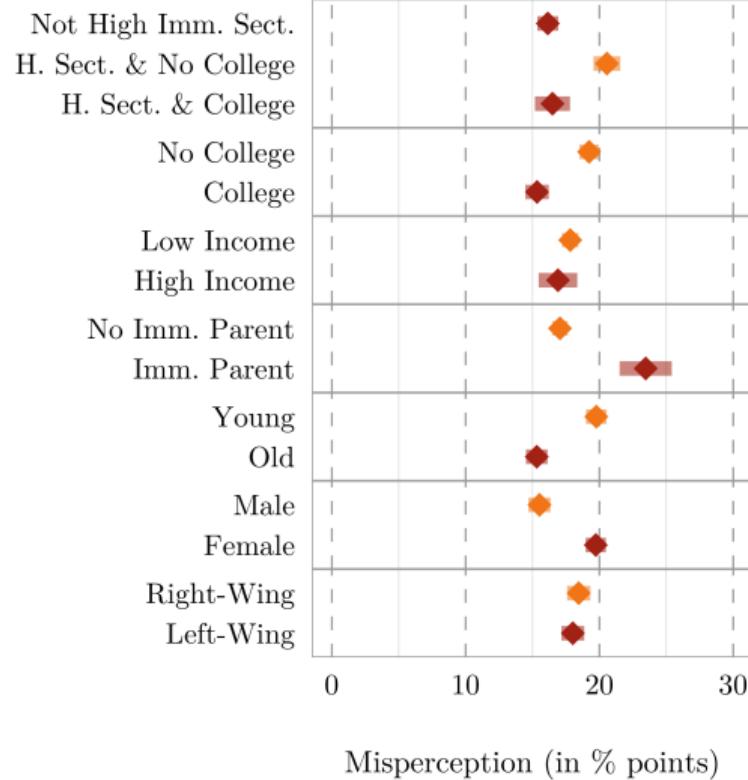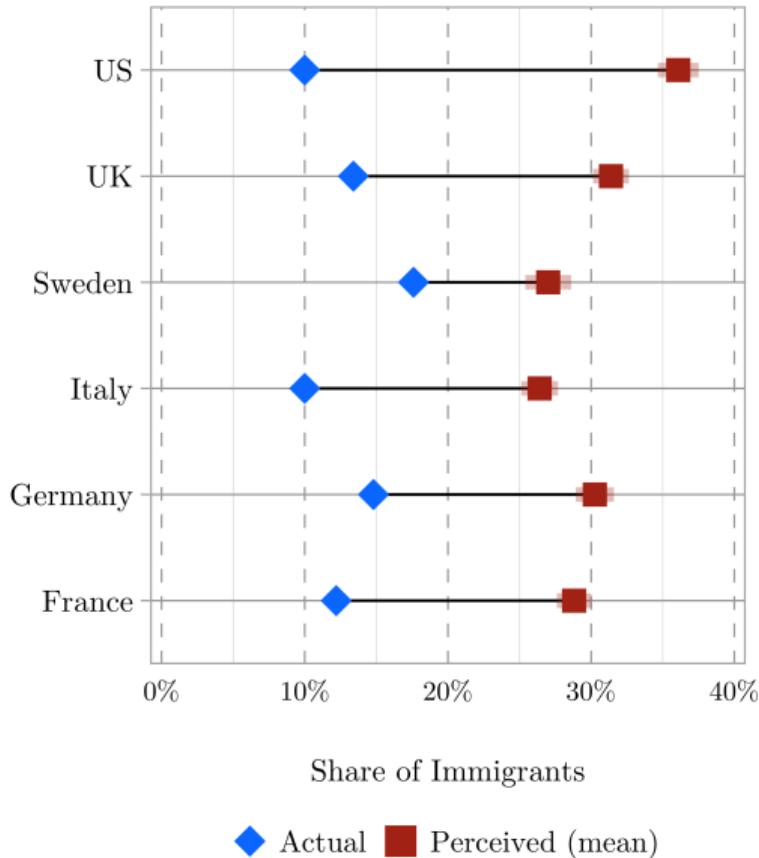
Generosity travels less well across national, religious, ethnic lines

Simply making people think about immigrants before asking questions on preferred progressivity and redistribution reduces support for redistribution.
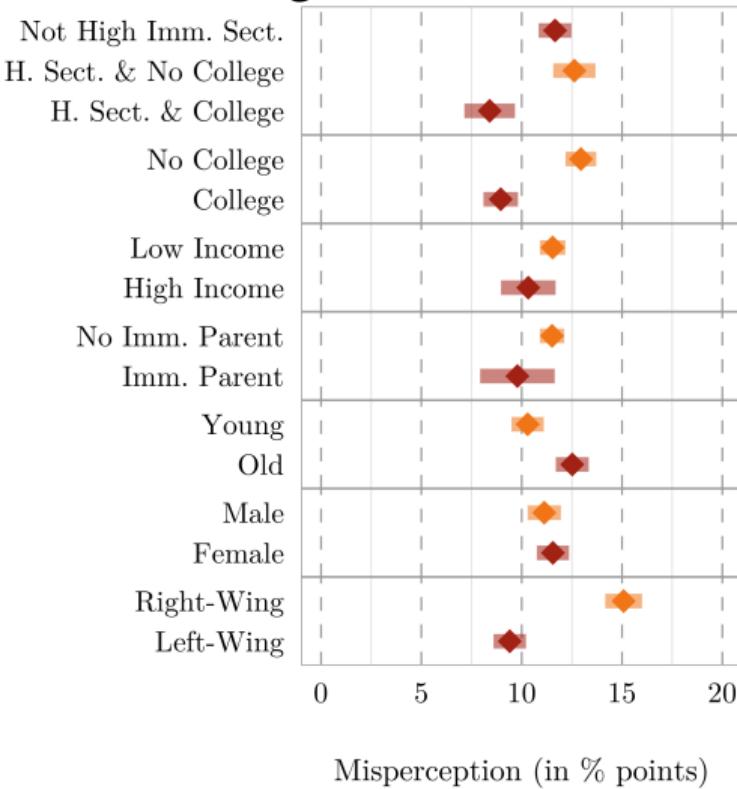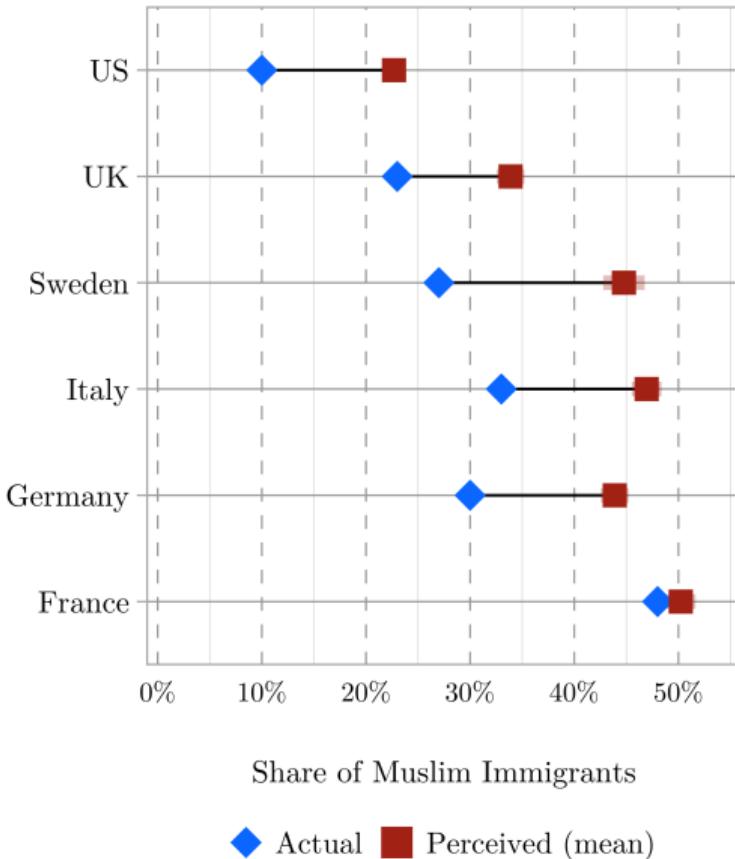
Including private donations to charity.

But perceptions about immigrants are very wrong.
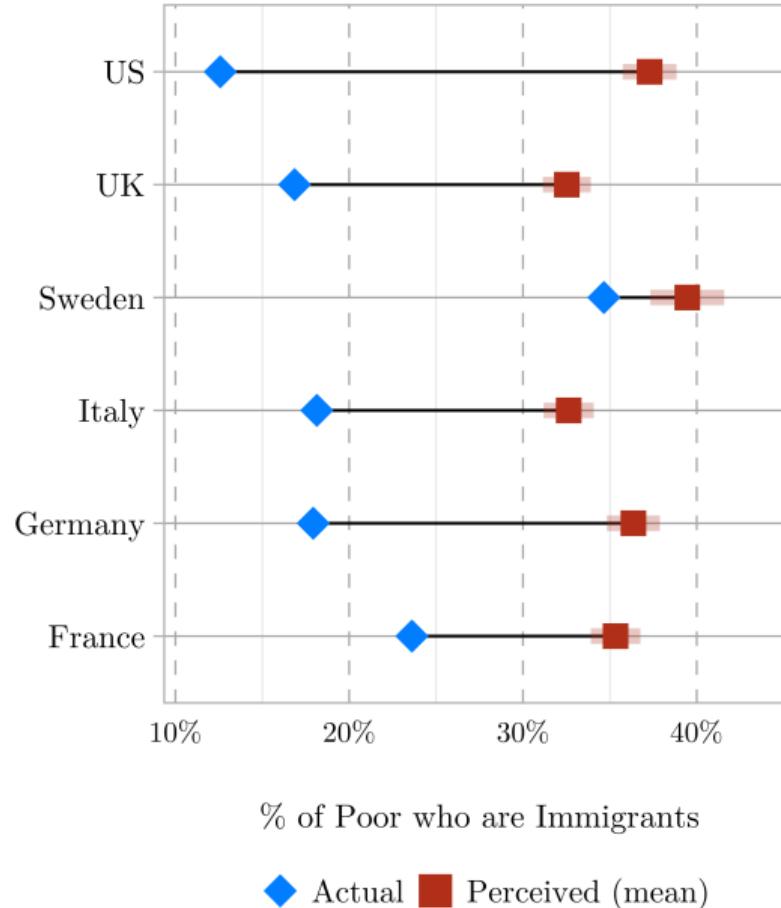
Perceived Share of Immigrants

Actual ◆ Perceived (mean) ■

Share of Immigrants

Misperception (in % points)

9|22
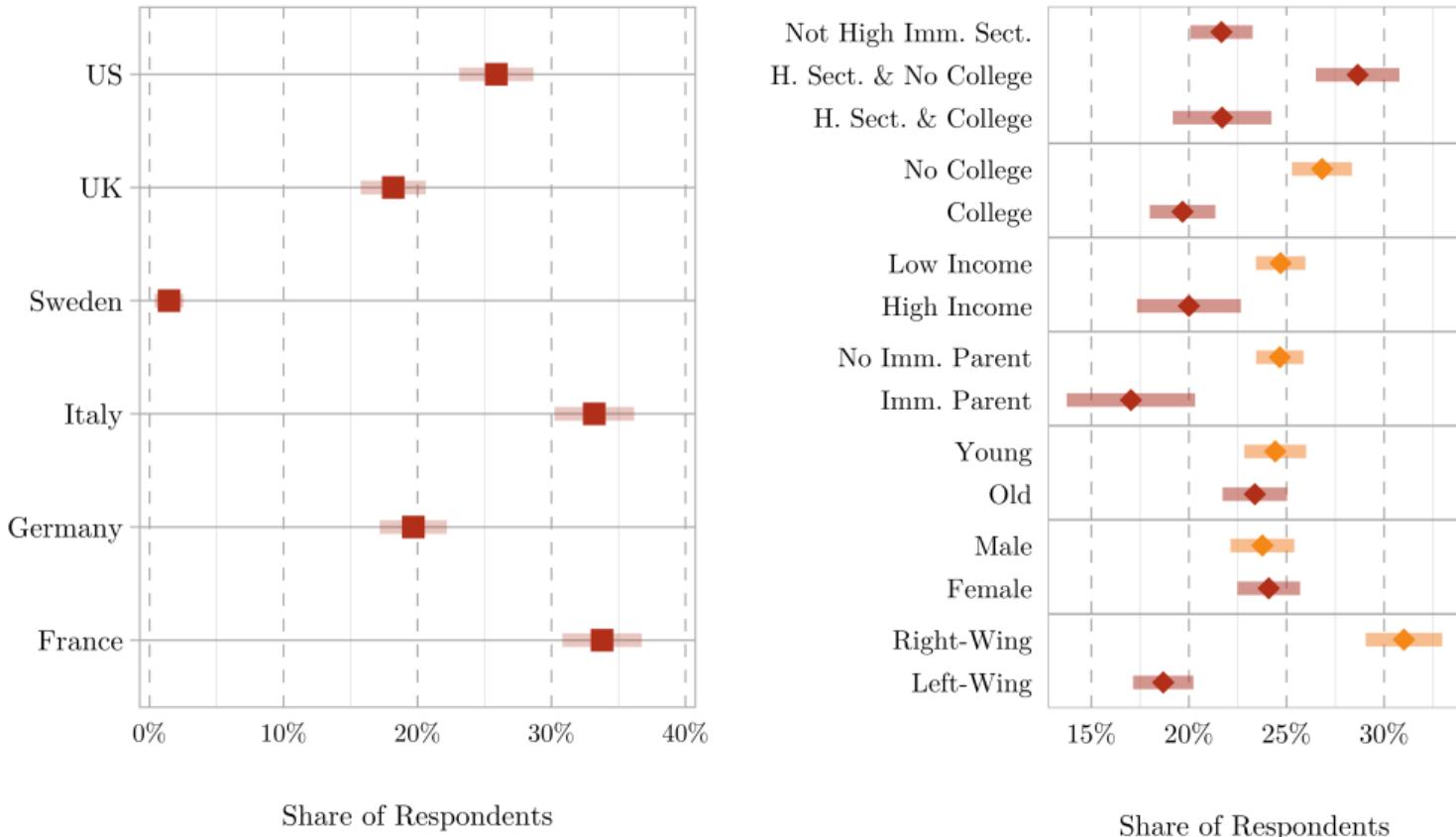
Perceived Share of Muslim Immigrants

Left panel — dumbbell chart by country:

	Actual	Perceived (mean)
US	10%	23%
UK	23%	34%
Sweden	27%	45%
Italy	33%	47%
Germany	30%	44%
France	48%	50%

x-axis: Share of Muslim Immigrants (0% – 50%)

Legend: ◆ Actual ■ Perceived (mean)

Right panel — Misperception (in % points):

- 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

x-axis: Misperception (in % points) (0 – 20)

Perceived Share of Poor that are Immigrants

% of Poor who are Immigrants

◆ Actual   ■ Perceived (mean)

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

Share of Respondents

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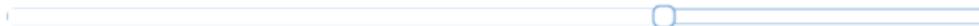
Worse News about Inequality: Less Trust in Government, Not More Demand for Redistribution

Where are you in the income distribution?

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

$ [25000]

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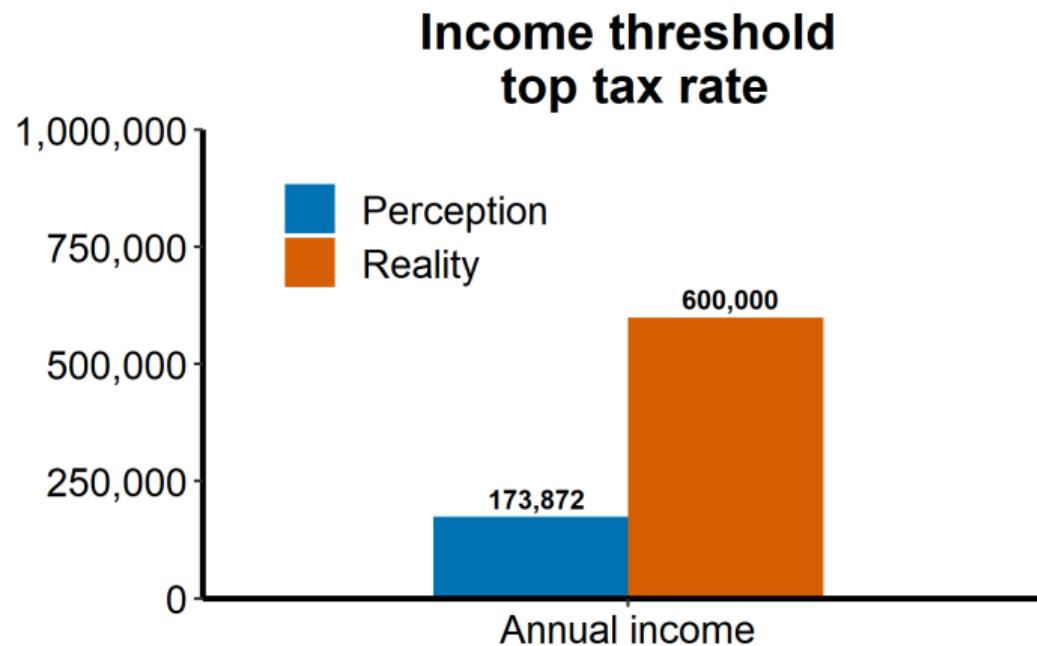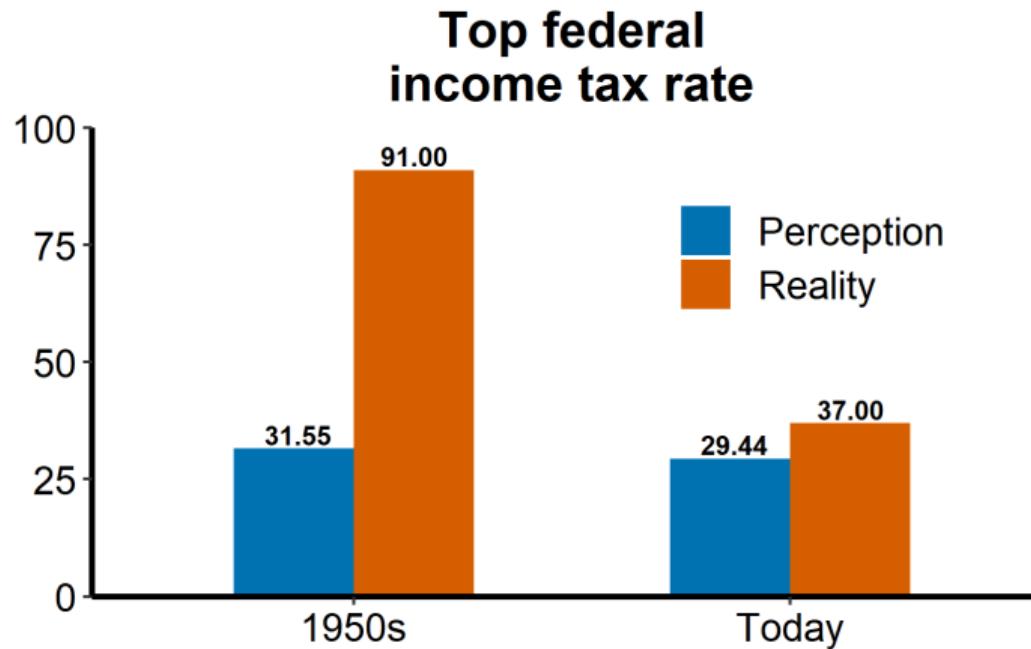
https://hbs.qualtrics.com/SE/?SID=SV_77fSvTy12ZSBihn

▸ Back to Main

Misunderstanding of and Views on Tax Policy
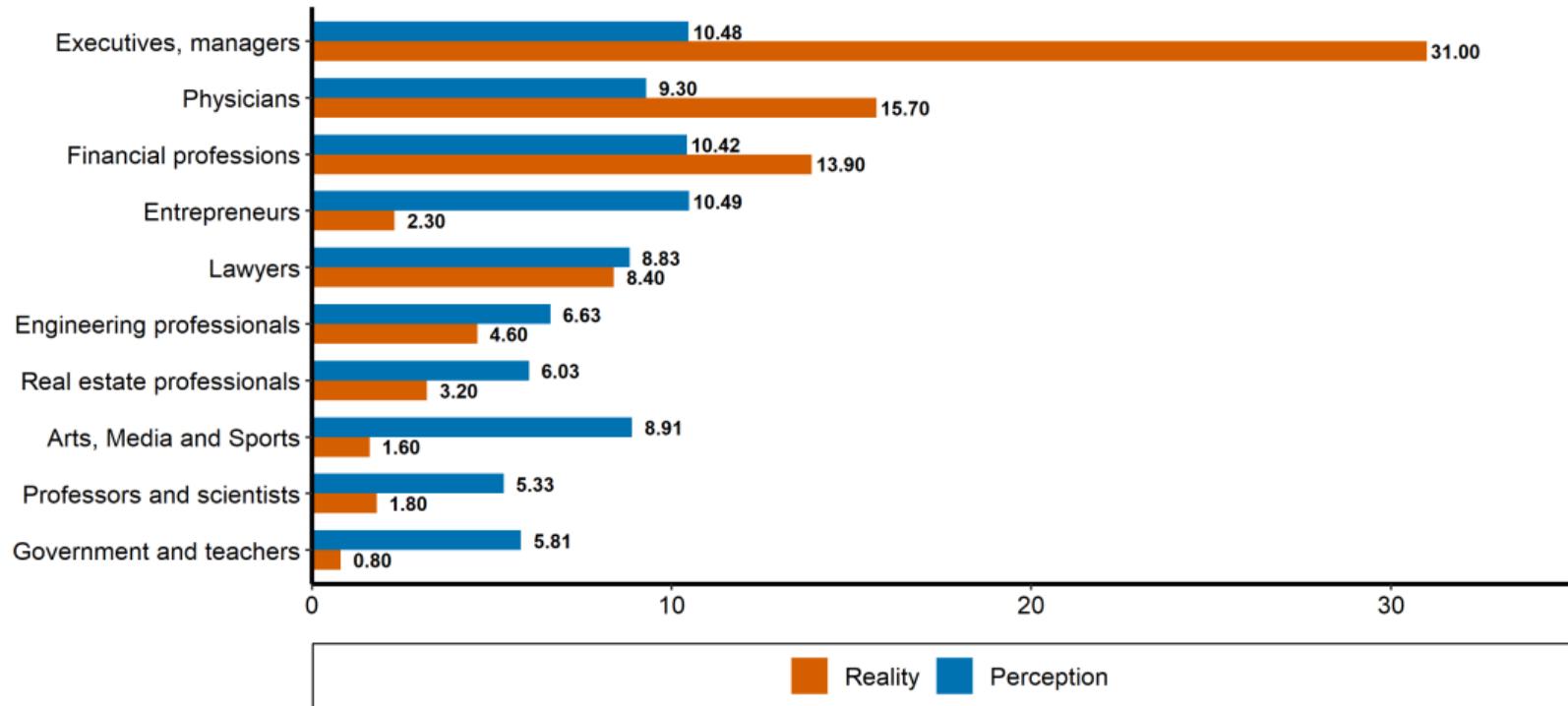
Everyone Thinks Top Tax Bracket Kicks In at Much Lower Income Levels

Income threshold
top tax rate

- Perception
- Reality

1,000,000

750,000

500,000

250,000

0

600,000

173,872

Annual income

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

Top federal income tax rate

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

Category	Perception	Reality
Executives, managers	10.48	31.00
Physicians	9.30	15.70
Financial professions	10.42	13.90
Entrepreneurs	10.49	2.30
Lawyers	8.83	8.40
Engineering professionals	6.63	4.60
Real estate professionals	6.03	3.20
Arts, Media and Sports	8.91	1.60
Professors and scientists	5.33	1.80
Government and teachers	5.81	0.80

Legend: ■ Reality ■ Perception
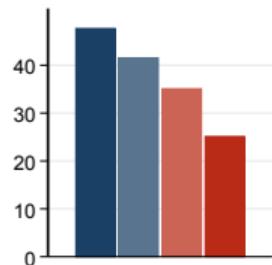
What Should Be the Goal of a Good Income Tax System?

What are Key Considerations about Income Tax?
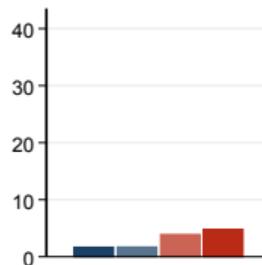
Legend: Clinton Liberal, Clinton Moderate, Trump Moderate, Trump Conservative

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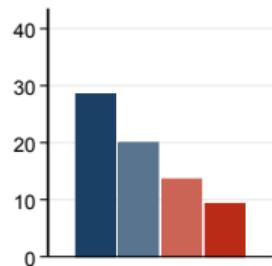
Just informing people about who pays estate tax leads to much more support for it.

What are the main perceived shortcomings of the estate tax?
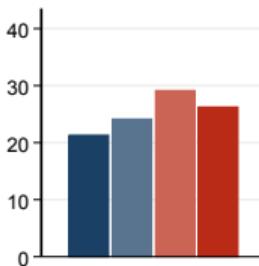
What are the Shortcomings of the U.S. Federal Estate Tax?

What are Key Considerations about Estate Tax?
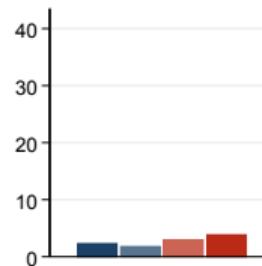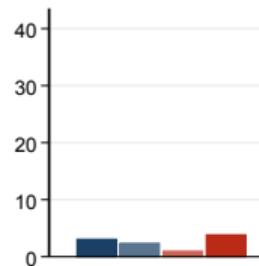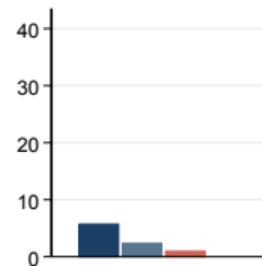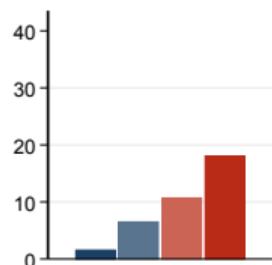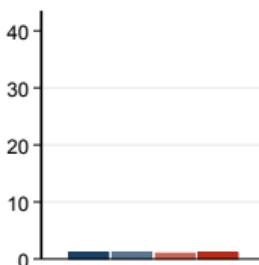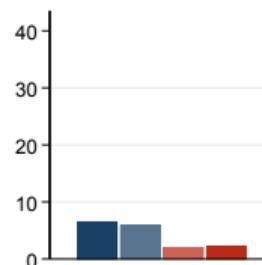
Bar charts with panels: Distribution, Fairness, Gov. Spending, Efficiency, Loopholes, Double Tax, Grieve, Public Goods, Don't Know. Legend: Clinton Liberal, Clinton Moderate, Trump Moderate, Trump Conservative.