

What Do Americans Think Should Be Done About Inequality?

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Overview

A new online survey of some 10,000 Americans' reaction to growing income inequality offers novel insight into public perceptions of inequality and what—if anything—should be done about it. The survey first presents some respondents with information about the extent of inequality—for example, by displaying how much more income a respondent would earn if increases in economic growth since 1980 had been more evenly distributed—and then assesses their attitudes toward inequality and policies aimed at ameliorating gaps between rich and poor, compared to other respondents who did not see the information. The survey shows that while respondents who view information about inequality are more likely to believe that inequality is a serious problem, they show no more appetite for many government interventions to reduce inequality—with the notable exceptions of increasing the estate tax and the minimum wage.

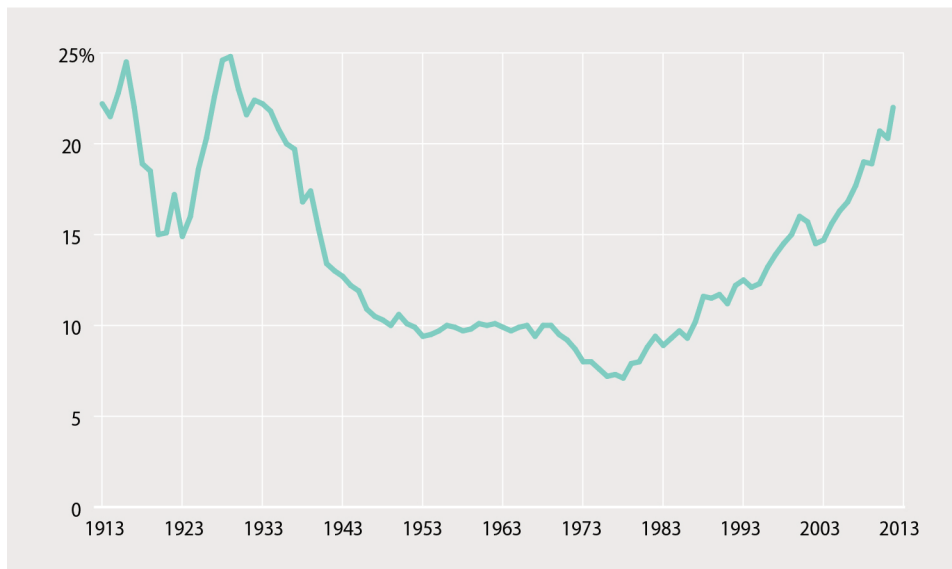
Our working hypothesis is that those surveyed alighted on the estate tax because it applies to many fewer Americans than respondents had assumed. And respondents favored increasing the minimum wage because doing so does not necessitate heavy government involvement (unlike, say, the Supplemental Nutrition Assistance Program, or food stamps for low-income Americans). The survey reveals a deep mistrust of the federal government's ability to administer programs effectively and efficiently even after confronted with the importance of these programs in alleviating poverty among those Americans at the bottom of the ladder.

There are a number of nuances, of course, to the findings from the survey, which are detailed in our forthcoming paper, "How Elastic Are Preferences for Redistribution? Evidence from Randomized Survey Experiments."¹ Our conclusions bear directly on public policy debates in Washington, D.C. and in statehouses across the country as the U.S. public grapples with what, if anything, to do about a wealth and income gap now as wide as just before the onset of the Great Depression in 1929 (See Figure 1.)

FIGURE 1

The Return of the Roaring Twenties

The share of total U.S. wealth owned by the top 0.1 percent of families, 1913-2013



Notes: Wealth is total assets (including real estate and funded pension wealth) net of all debts. Wealth excludes the present value of future government transfers (such as Social Security or Medicare benefits).

Source: Saez, Emmanuel and Gabriel Zucman "Wealth Inequality in the United States since 1913: Evidence from Capitalized Income Tax Data", NBER Working Paper, October 2014, online at <http://gabriel-zucman.eu/uswealth/>

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The survey

Over 10,000 respondents completed the surveys we designed for this project. The mix of respondents gives us some confidence that the results we find would mirror the attitudes of typical Americans. While online surveys do disproportionately draw from certain groups such as younger adults, our sample compares favorably with both the CBS News election survey from 2011 and the Rand Corporation's American Life Panel online survey.

For our study, respondents were randomly assigned to a treatment group who viewed a short online presentation conveying information about income inequality, or a control group who did not view this presentation. This customized approach was made possible by an online platform that enabled us to gather detailed income data on the respondents and in turn inform them interactively about where they fell in the U.S. income distribution.

Respondents were also asked to self-report their political preferences using a five-point scale, from very liberal to very conservative. Then, both treatment and control groups answered a series of questions about their views on inequality and which policies, if any, they favored to address it. We call the difference between the percent of liberal and the percent of conservative control group respondents agreeing on these various issues the "political gap"—and we examine how our treatment might "close the gap" between liberals and conservatives on these various issues.

The findings

There are several novel findings that emerge from our survey. When respondents are given the actual data on the growing income gap in the United States, their concern about the problem increases by a staggering 35 percent—an effect equal in size to roughly 36 percent of the liberal-conservative gap on this question. Moreover, viewing information about inequality also significantly influences attitudes toward two redistributive policies: the estate tax and the minimum wage (See Figure 2).

FIGURE 2

Should the Estate Tax and Minimum Wage be Increased?

After a control group of survey respondents were treated to the facts about the estate tax and the minimum wage, their support for both measures increased. Support for the estate tax jumped sharply while the already popular minimum wage increase also gained more ground.



Note: These differences are equivalent to double the political gap (the difference between liberal and conservative agreement) for the estate tax question and roughly 10 percent of the political gap for the minimum wage question.

Source: Authors' calculations and Kuziemko, Norton, and others. "How Elastic are Preferences for Redistribution? Evidence from Randomized Survey Experiments." NBER Working Paper, November 2014, online at <http://www.nber.org/papers/w18865>.

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When respondents in the treatment group learn the small share of estates subject to the estate tax (roughly one in 1,000), they support increasing it at three times the rate of the control group—akin to cutting the political gap in half (See Figure 3). This finding is mirrored in a recent study by political scientist John Sides of George Washington University, who finds that accurate information on the small number of families subject to the estate tax substantially reduces support for repealing the tax.²

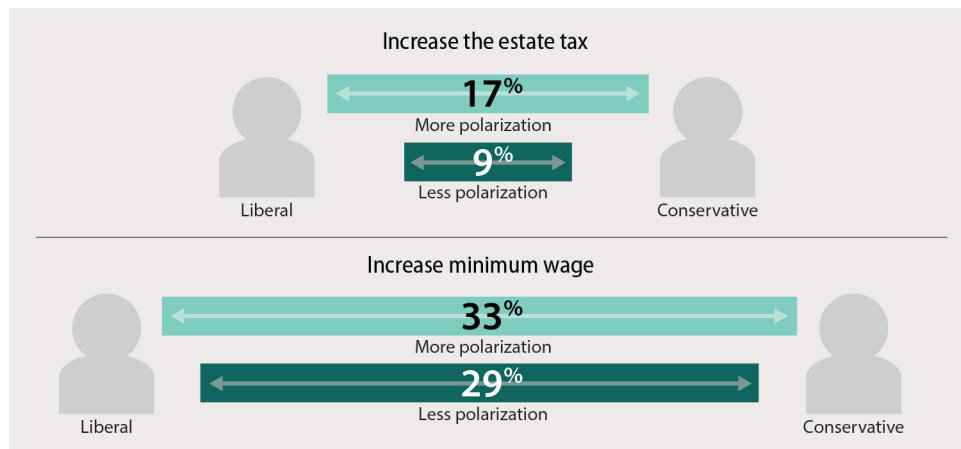
Similarly, after reviewing the presentation on income inequality, support for raising the minimum wage jumped by 4 percent (from an already high baseline of support of 69 percent) in the treatment group relative to the control group, sufficient to close the political gap by about 10 percent (See Figure 3). (The federal minimum wage now stands at \$7.25 an hour; 28 states and the District of Columbia boast slightly higher minimum wages alongside other several cities).

FIGURE 3

Shrinking the Political Gap

Liberals and conservatives who were exposed to the online presentation on income inequality (treated group) agreed more that both the estate tax and minimum wage should be increased. The closer the political gap is to 0, the stronger the agreement between liberals and conservatives.

■ Control group ■ Treated group



Note: The political gap is the difference between the percent of self-identified liberals and conservatives who agreed on various issues.

Source: Authors' calculations and Kuziemko, Norton, and others. "How Elastic are Preferences for Redistribution? Evidence from Randomized Survey Experiments." NBER Working Paper, November 2014, online at <http://www.nber.org/papers/w18865>.

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At the same time, attitudes toward some policies were unaffected, including increasing top income tax rates and support for the Earned Income Tax Credit for low-wage workers and the Supplemental Nutrition Assistance Program—more commonly known as the food stamps program—which on average provides \$150 a month toward food purchases for eligible recipients.

Importantly, our results also suggest that this aversion to government intervention is due to a deep level of distrust in government. In a sense, respondents who have learned the role of government in creating the current level of inequality seem to be telling us they do not trust that government is also the entity to address the problem.

The policy implications

This last finding is, to our knowledge, the first direct evidence of the causal effects of trust in government on redistributive policy preferences. Our findings highlight the potential role of mistrust in government in limiting enthusiasm among the general public to certain kinds of government policy programs—such as the Supplemental Nutrition Assistance Program and the Earned Income Tax Credit—designed to help close the wealth and income gap.

Research into the connection between mistrust of government and policy preferences is only just beginning. For instance, economists Paola Sapienza at Northwestern University's Kellogg School of Management and Luigi Zingales at the University of

Chicago's Booth School of Business find that Americans support higher auto fuel standards over a carbon tax-and-rebate program because they do not trust the government to in fact rebate the tax.³ Given that by most measures, Americans trust in government is at record lows, future work on its consequences would be welcome.

Finally, while beyond the scope of our paper, our results do point to an intriguing possibility: that the rise in inequality may have in fact led to the rise of distrust in government. If such a connection existed, then inequality may in fact be self-reinforcing—decreasing trust in government and undercutting support for the very policies aimed to reduce inequality. We look forward to future work on the possible connections between inequality, trust in government, and support for redistribution.

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Endnotes

- 1 Ilyana Kuziemko et al., *How Elastic Are Preferences for Redistribution? Evidence from Randomized Survey Experiments*, Working Paper (Cambridge, MA: National Bureau of Economic Research, March 2013), <http://www.nber.org/papers/w18865>.
- 2 John Sides, *Stories, Science, and Public Opinion about the Estate Tax*, Working Paper (Washington, DC, July 2011).
- 3 Sapienza, Paola and Luigi Zingales, "Economic Experts versus Average Americans," *The American Economic Review: Papers and Proceedings* 103(3), pp. 796-804, (2013).

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