

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



LESS NEED FOR
REDISTRIBUTION &
MORE UNEQUAL
OUTCOMES ARE FAIR

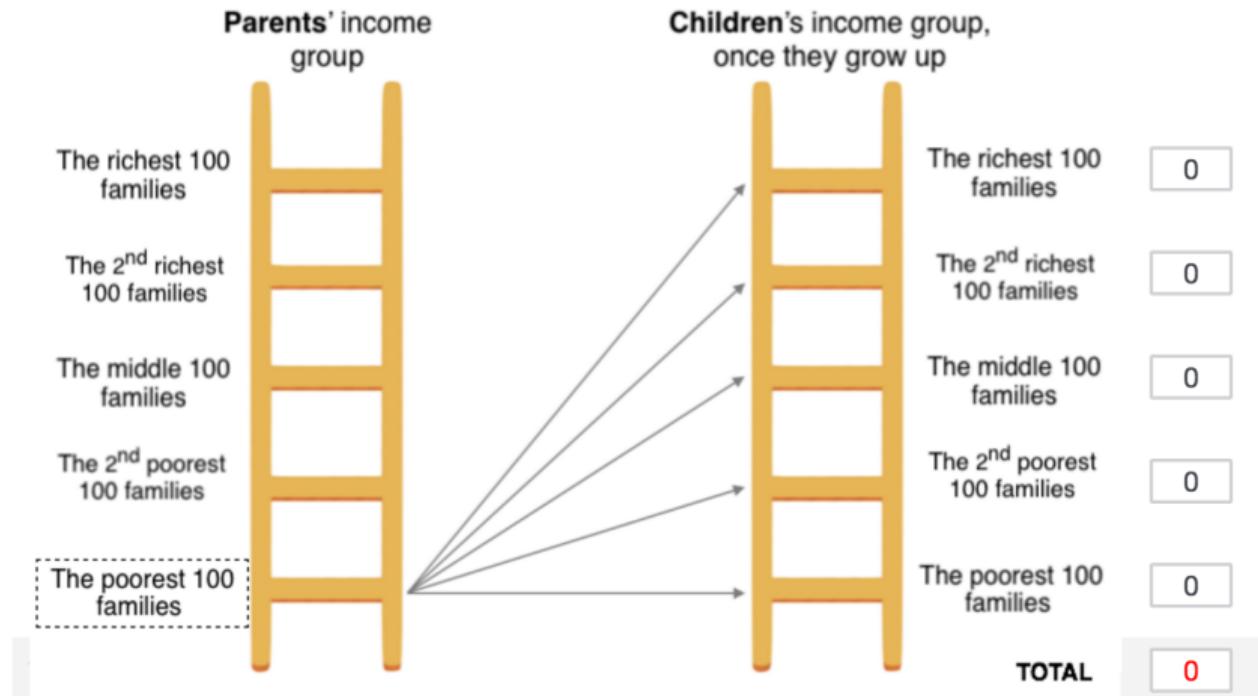
MORE PERCEIVED
SOCIAL MOBILITY &
EQUAL OPPORTUNITY



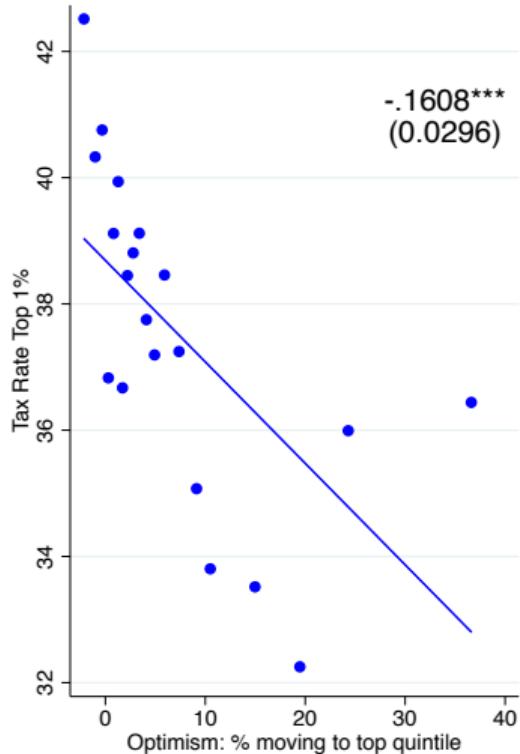
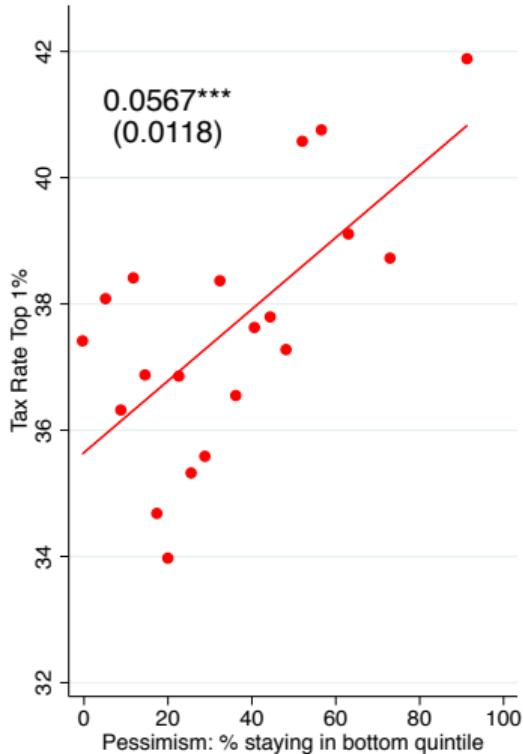
LESS NEED FOR
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Eliciting respondent's beliefs on upward mobility

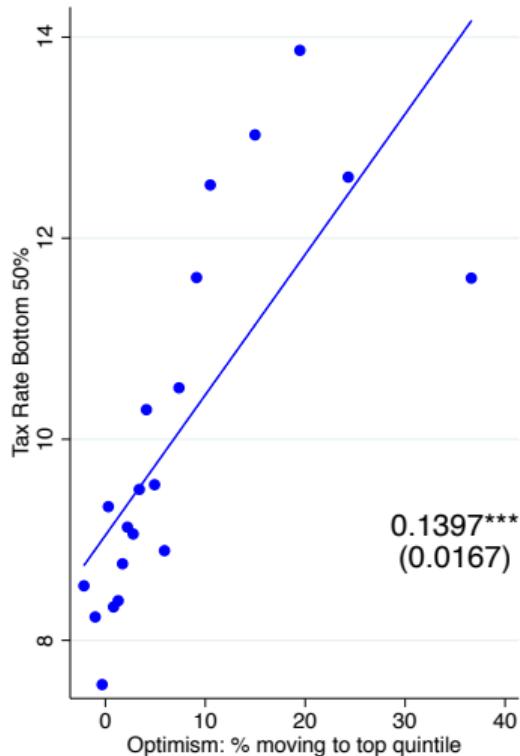
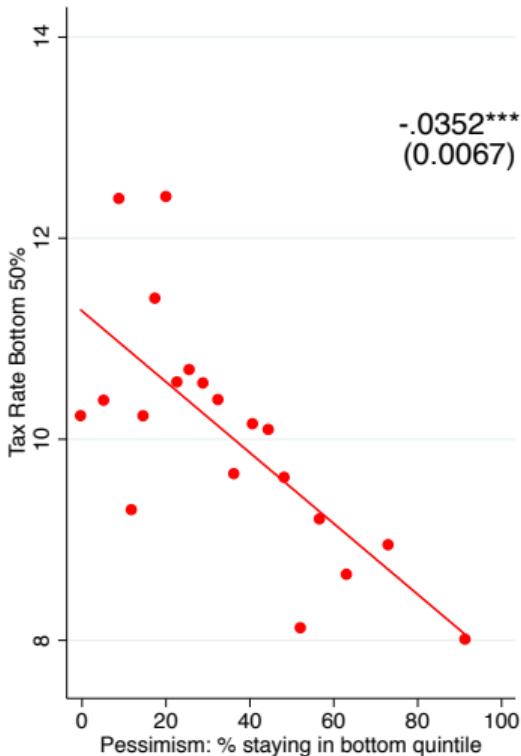
Here are **500 families** that represent the US population:



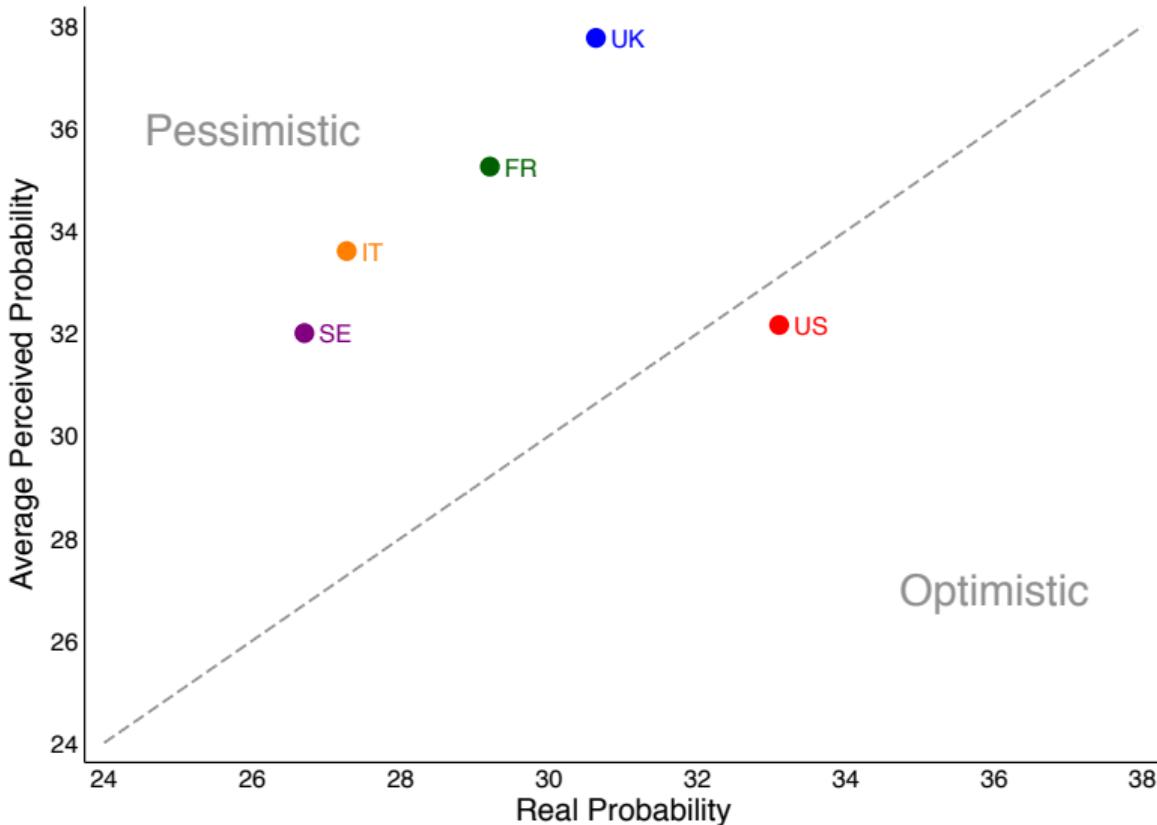
Pessimism, Optimism, and Top Tax Rate



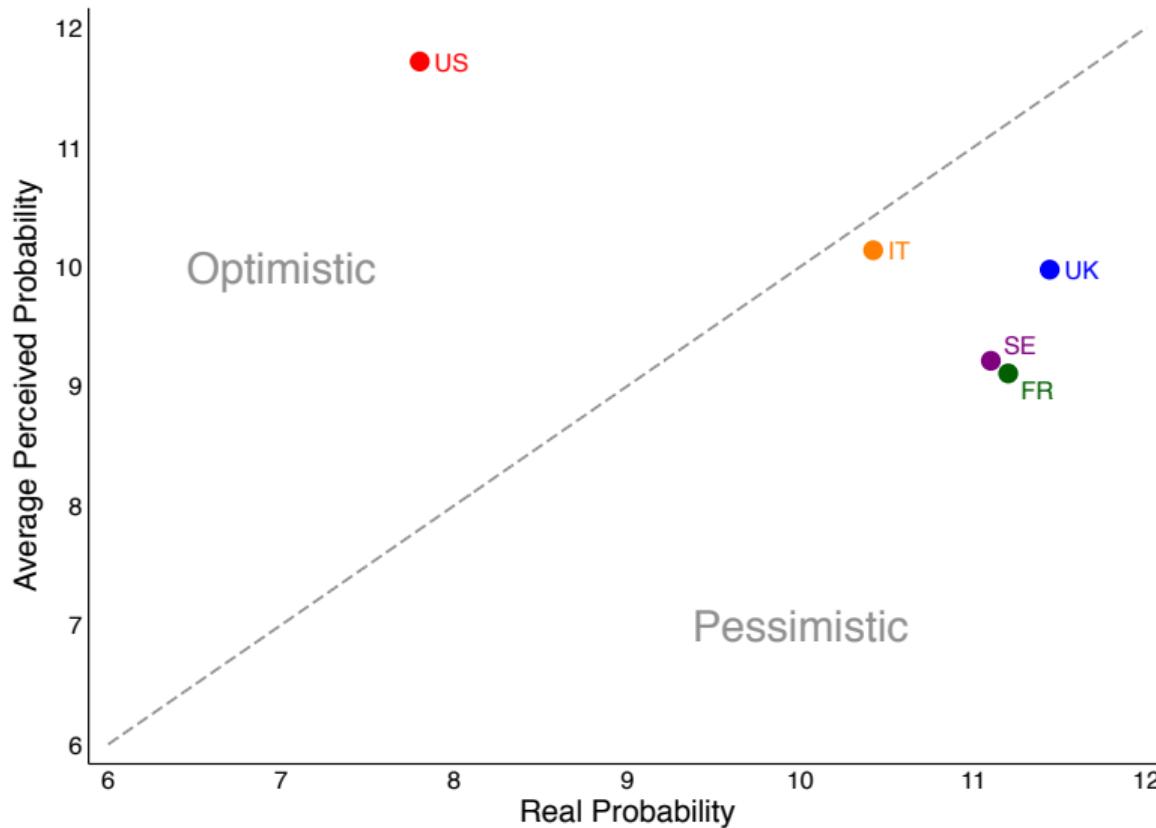
Pessimism, Optimism, and Bottom Tax Rate



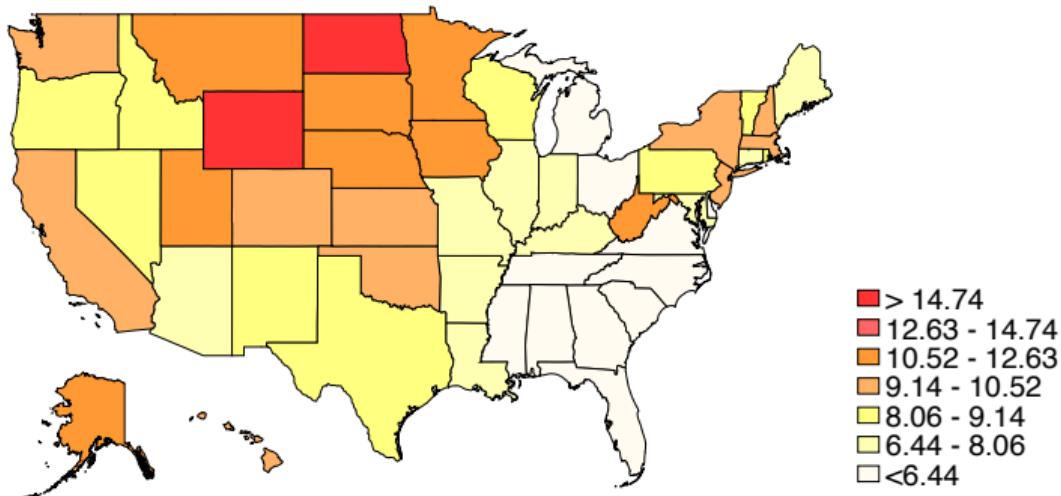
Probability of Staying in Bottom Quintile (Actual vs. Perceived)



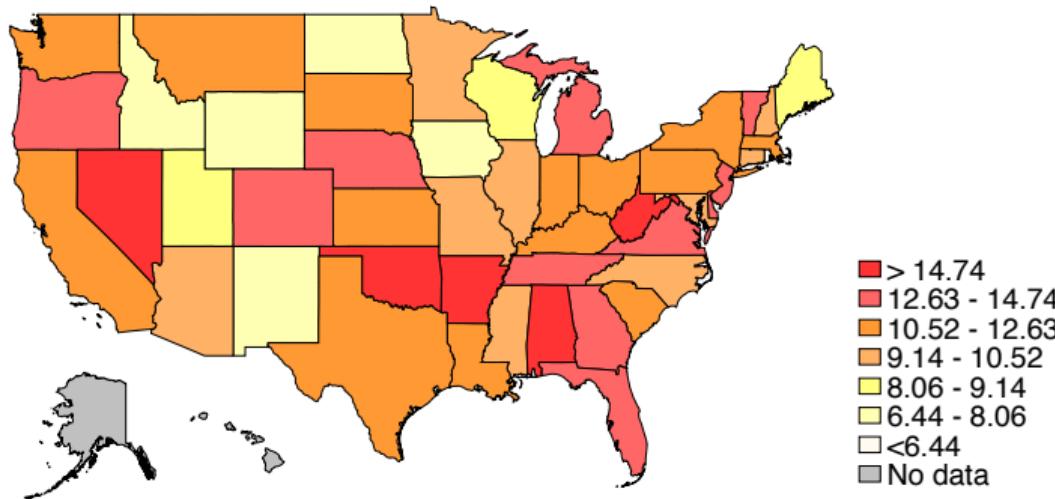
Probability of Moving to Top Quintile (Actual vs. Perceived)



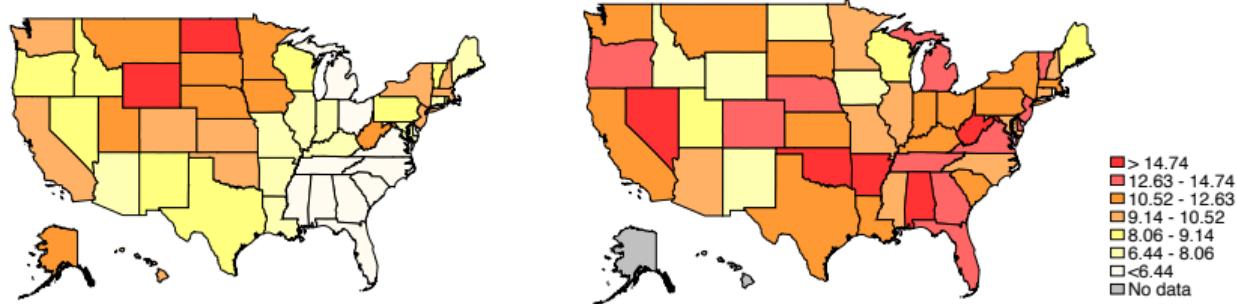
Actual probability of moving from bottom to top quintile



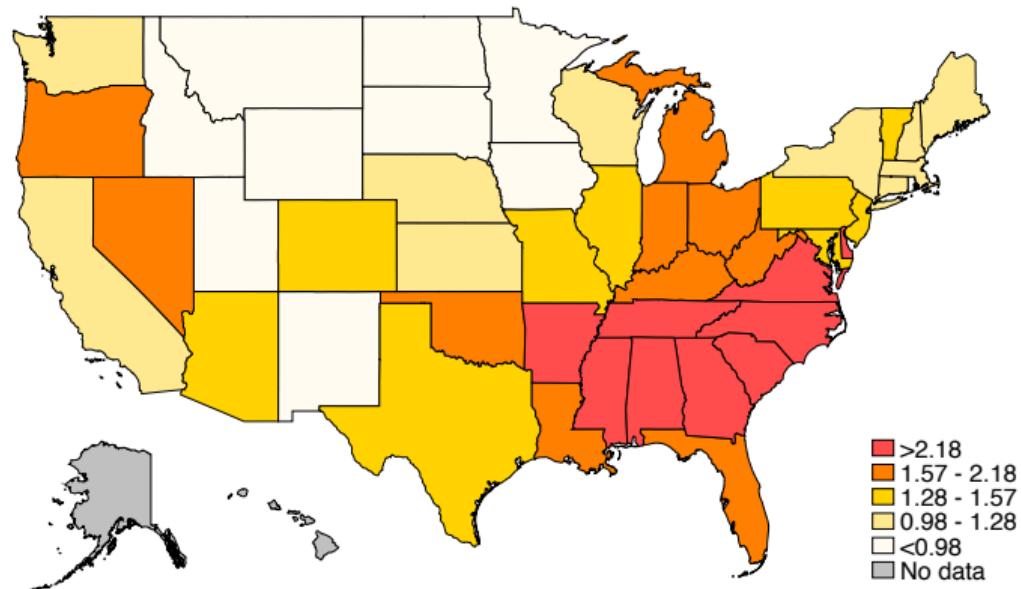
Perceived probability of moving from bottom to top



Actual and perceived probability of moving from bottom to top quintile



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



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

Who Benefits from Redistribution? Wrong Views about Immigrants

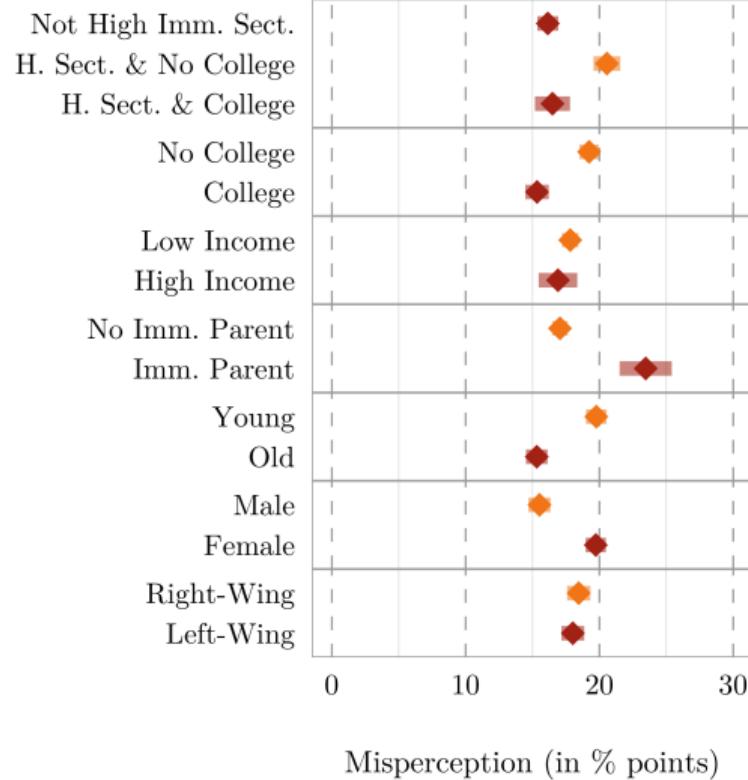
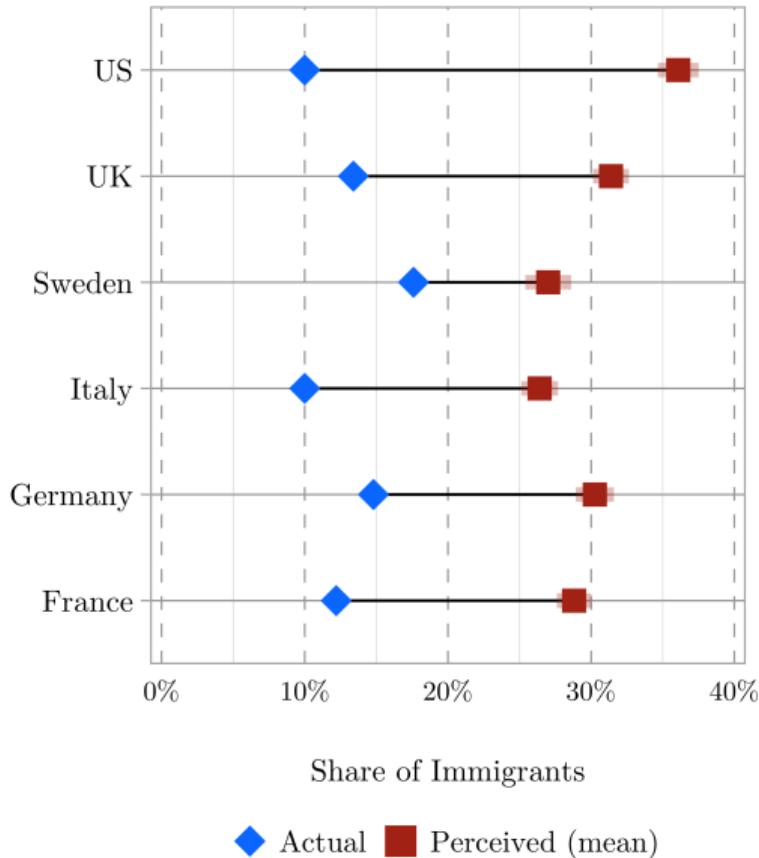
Generosity travels less well across national, religious, ethnic lines

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

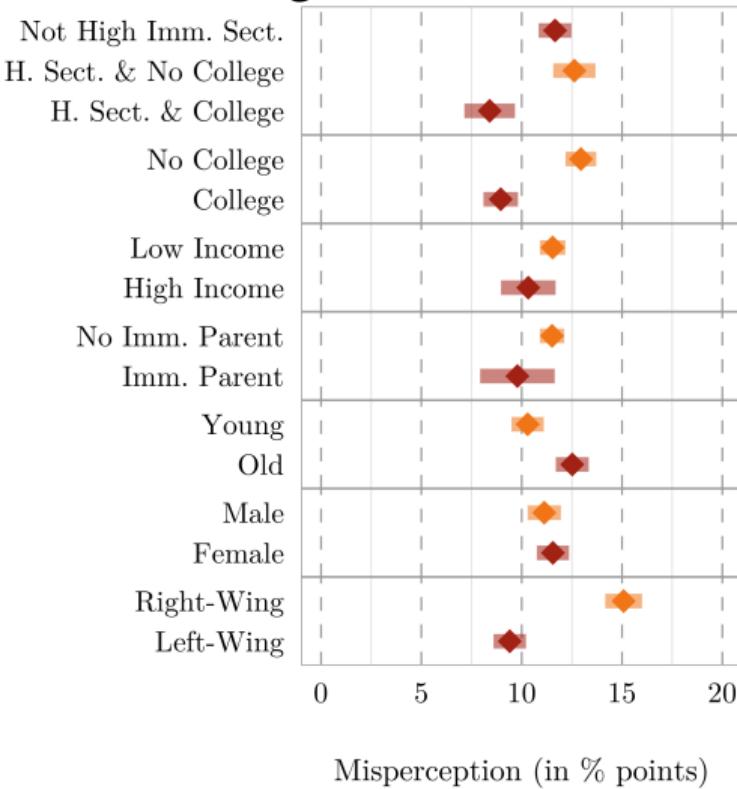
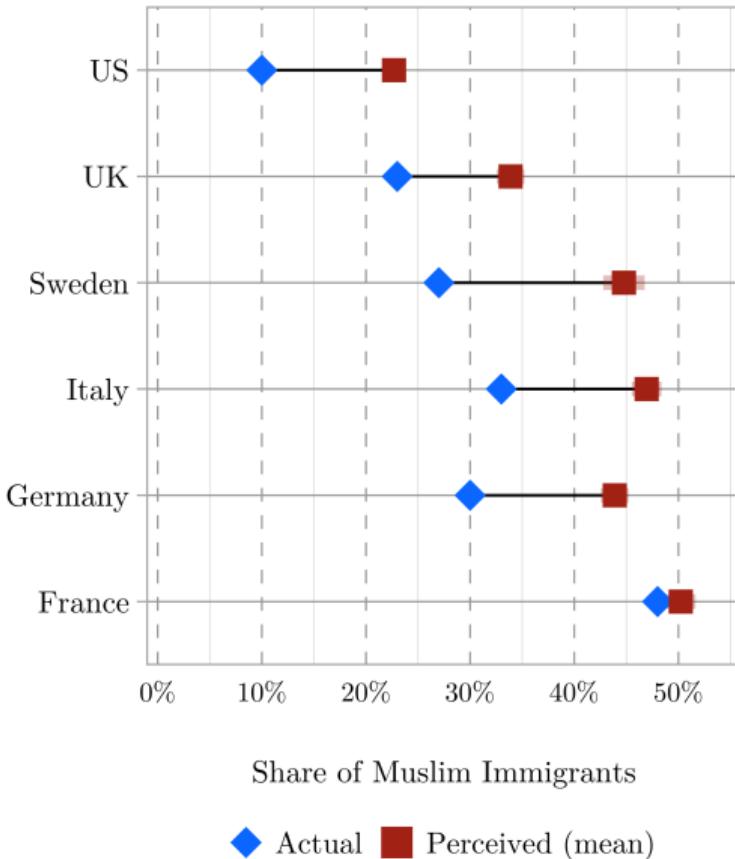
Including private donations to charity.

But perceptions about immigrants are very wrong.

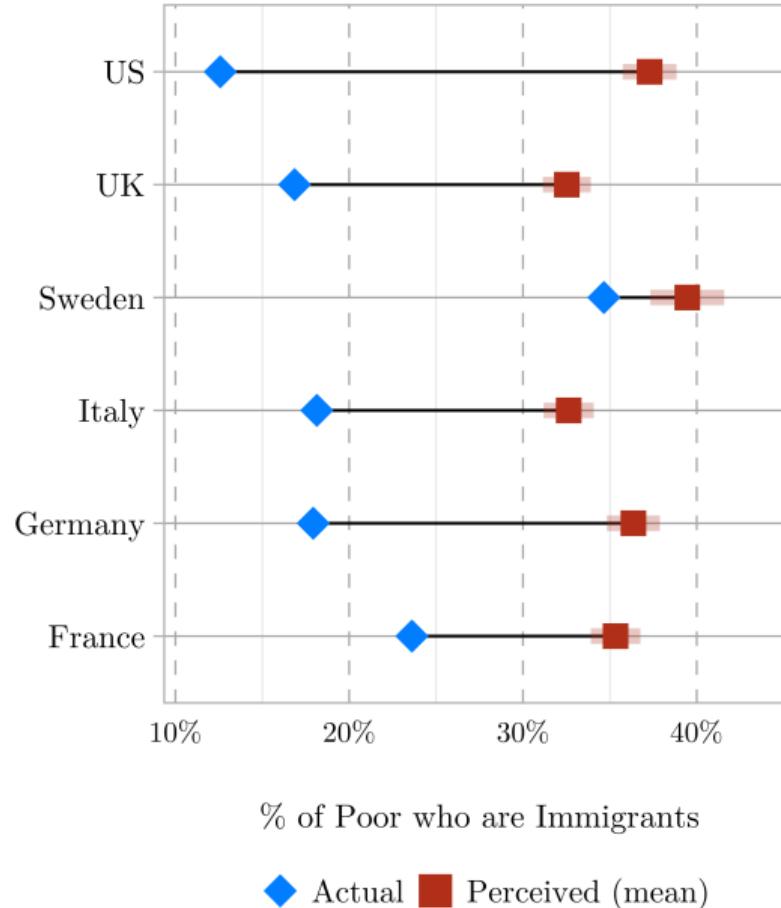
Perceived Share of Immigrants



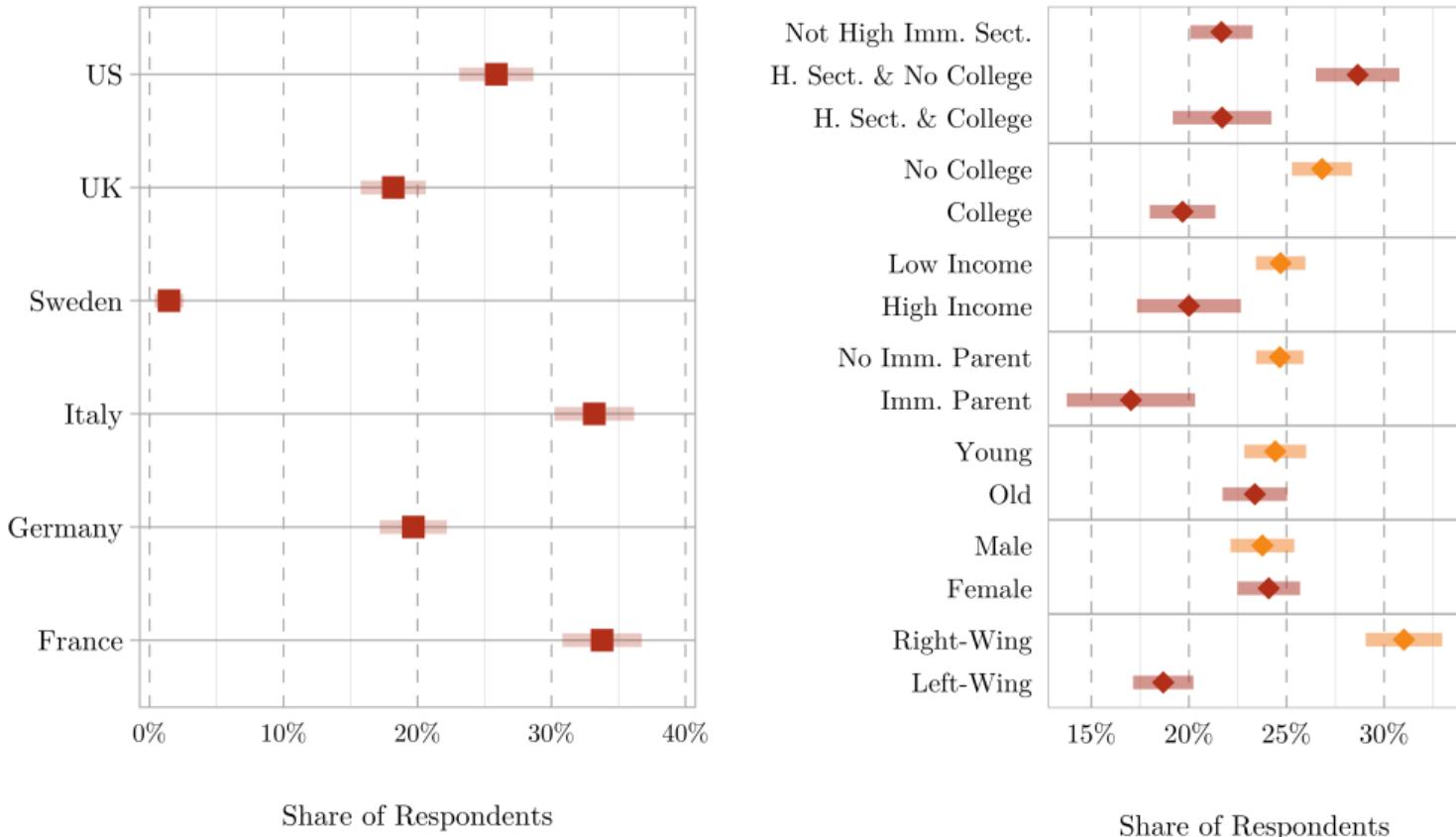
Perceived Share of Muslim Immigrants



Perceived Share of Poor that are Immigrants



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



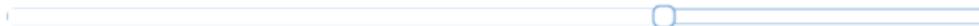
Worse News about Inequality: Less Trust in Government, Not More Demand for Redistribution

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

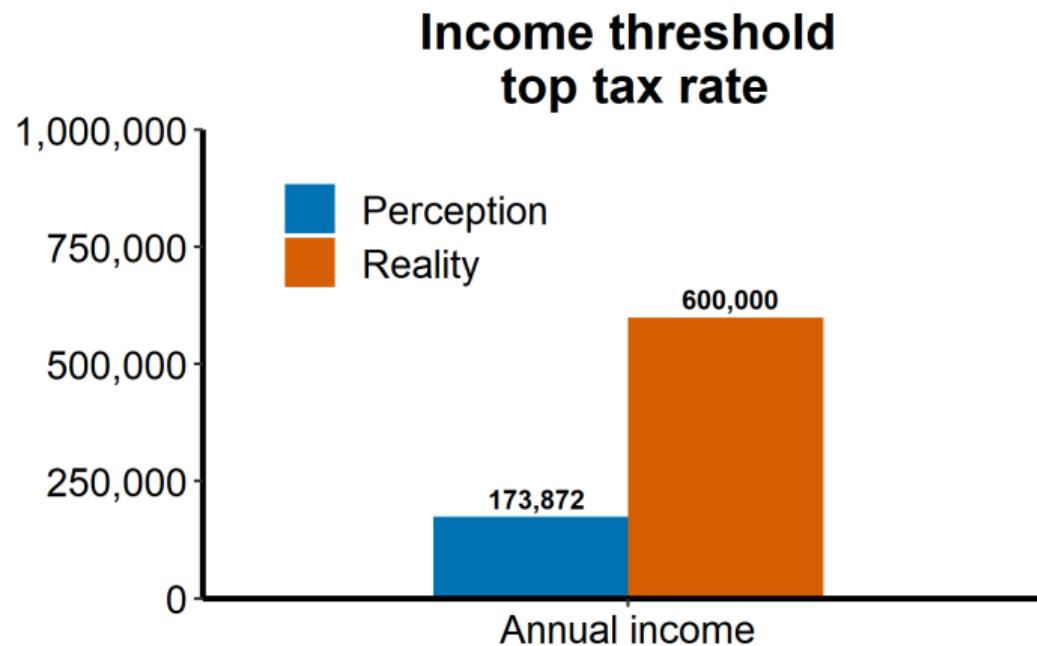
\$35,200 if inequality had not changed since 1980.

In other words, if growth had been evenly shared, this household would have earned **37% more**.

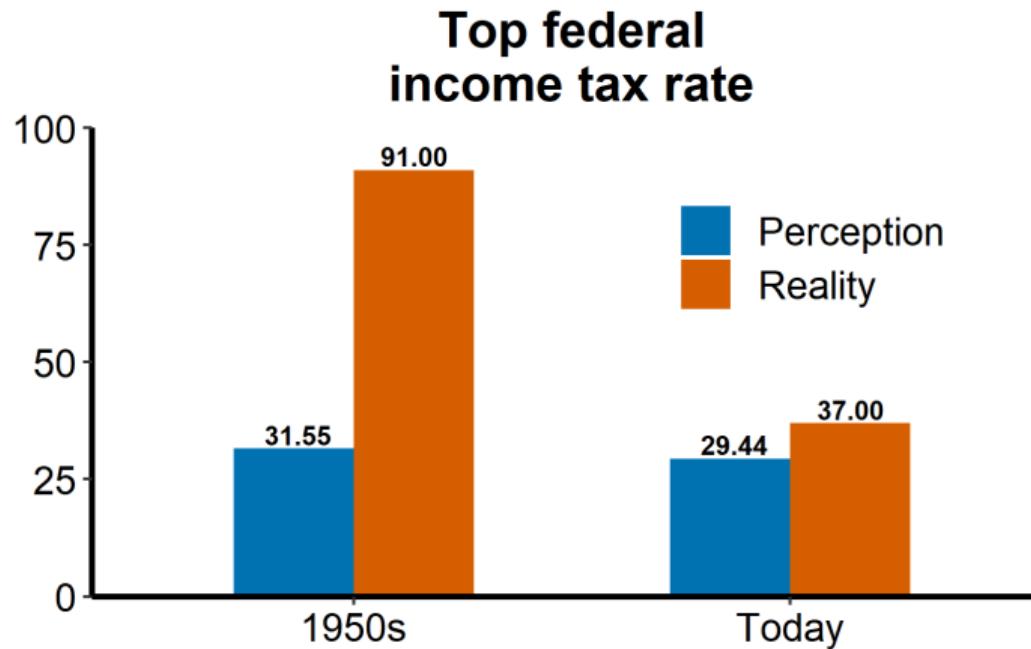
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Misunderstanding of and Views on Tax Policy

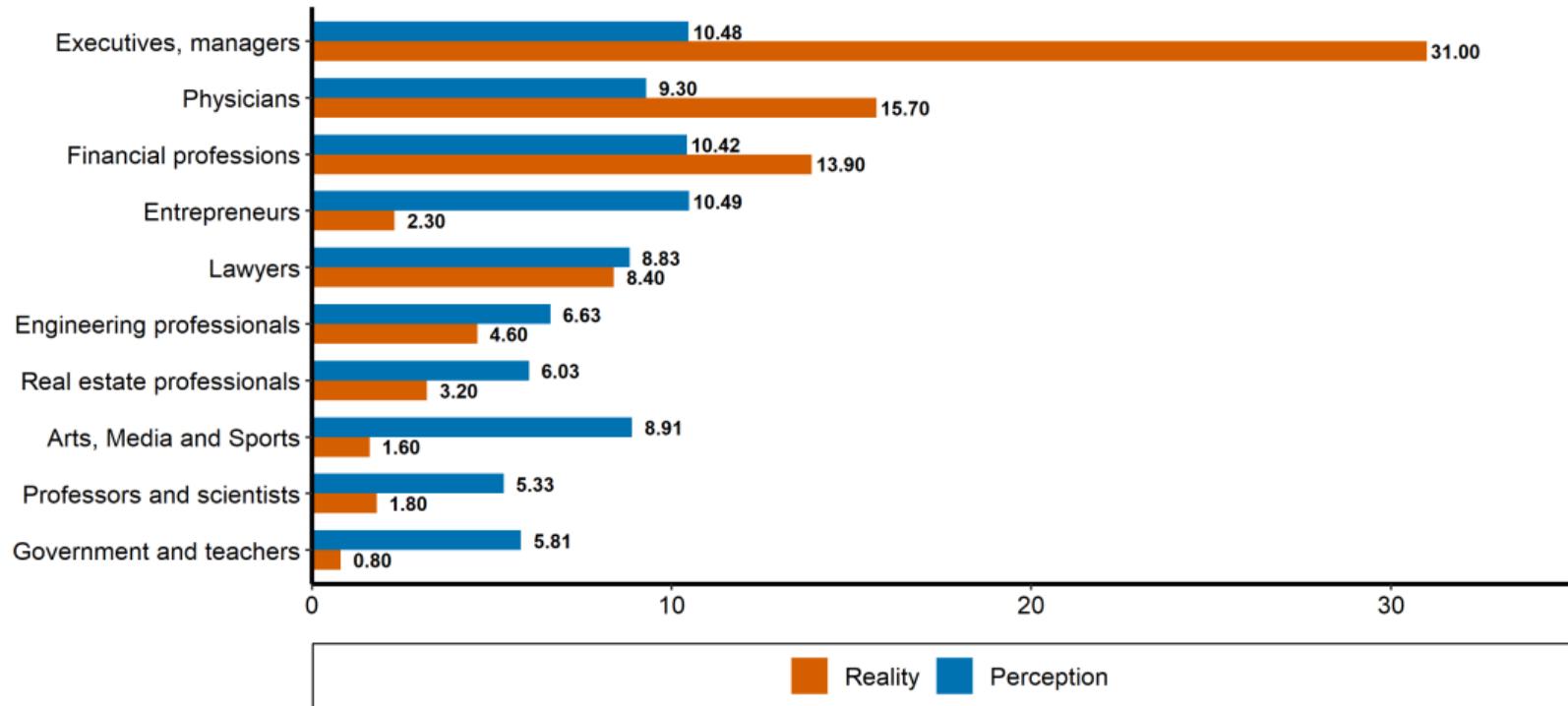
Everyone Thinks Top Tax Bracket Kicks In at Much Lower Income Levels



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.

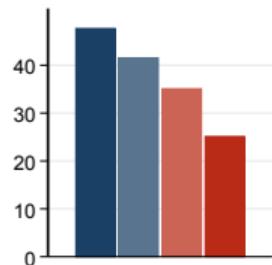


What Should Be the Goal of a Good Income Tax System?

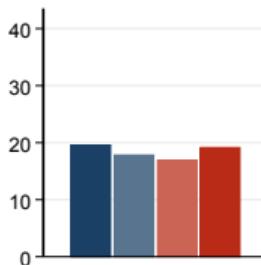
middle working graduate fair every dollar big business government citizen graduate high small government tax reduce
cut spend place burden cover cost wealthy poor free healthcare minimum wage corporate tax tax tax work state temperament across
percent feel low family avoid fair percentage matter everyone fairly stop rich tax class rate matter
percentage earn high break rich class fifty thousand state state government without country run temperature everyone corporation fair
rich leave spend economy believe percentage everyone equal rate loophole something fair everyone basic service
believe everyone everyone accord earn credit right now afford low
three thousand keep country without loophole go back wealthy share three moderate temperate corporation rich
class struggle little rich hundred fifty tax accord super rich everyone regardless low citizen rate little every citizen
simple fair live paycheck very rich poor class everyone tax everyone equally low everyone rate little every citizen
low working class family social program sale tax hard work government program fair support
low production cost live percentage everyone hundred thousand burden middle low bracket percentage little work just
tax certain class tax very high flat fair progressive tax upper class fair class support government
poor low family tax fair large corporation class little burden class open support government
up on low production
tax wealth ten percent little tax tax rate slide scale everyone matter very low
super wealthy amount tax wealth afford equal tax
wealthy afford equal tax
provide government tax certain
work job across
able live can't afford
high high high rich
earner low high rich
top 1 wealthy tax
everyone rate
quality life
tax wealthy rich little
very wealthy tax little
high bracket
rate tax
avoid tax rich poor
flat deduction
rate class
class poor
capital gain
fair rich
provide service high class
hard earn
tax high
share tax rich low loophole rich
tax ly rich fair working poor
low tax percentage across
tax middle
everyone share
tax share thousand rate
mater class two hundred million dollar low amount
high percentage tax amount
tax earn 1 percent feel fair
not sure low class
high rate tax bracket
everyone fair low low high low
high wealth
progressive high
fair everyone high tax
tax everyone flat everyone
rate low tax break
class upper rate high
fund government close loophole top earner keep tax double tax
provide service
work benefit
flat may healthcare education
everyone contribute thousand hundred certain percentage flat percentage
treat fairly little high board matter fair amount ensure everyone poor middle national debt
keep low progressive rate high upper balance budget dollar spend
luxury item live comfortably universal healthcare loophole wealthy percentage tax
high percent class high fair percentage government provide wealthy individual
still able individual low rate middle everyone work loophole corporation share high across everyone five
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date go

What are Key Considerations about Income Tax?

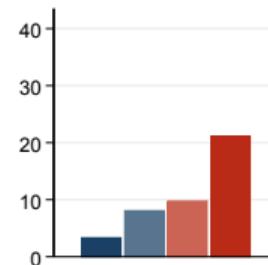
Distribution



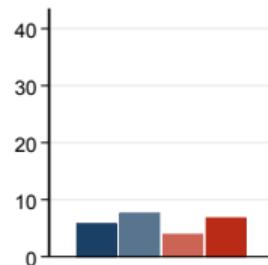
Fairness



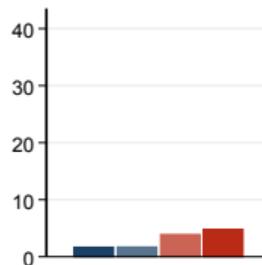
Gov. Spending



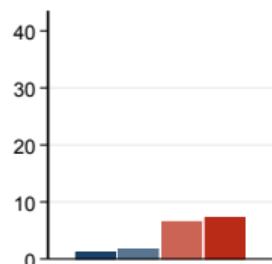
Social Safety



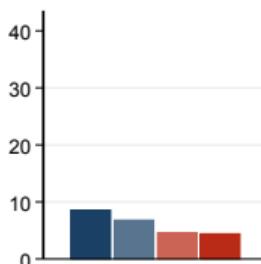
Efficiency



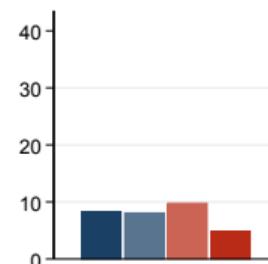
Flat Tax



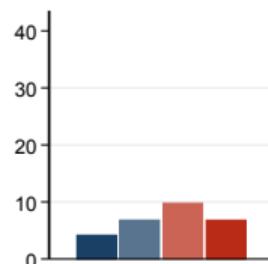
Loopholes



Public Goods



Don't Know



█ 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?

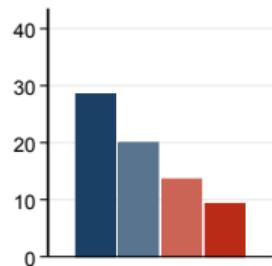
Just informing people about who pays estate tax leads to much more support for it.

What are the main perceived shortcomings of the estate tax?

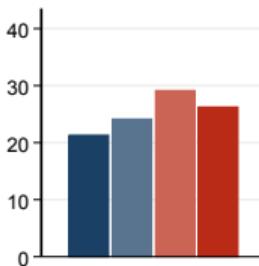
What are the Shortcomings of the U.S. Federal Estate Tax?

What are Key Considerations about Estate Tax?

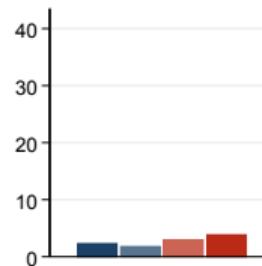
Distribution



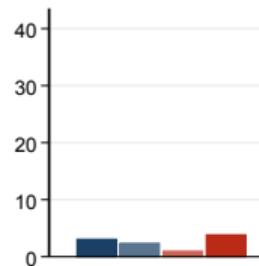
Fairness



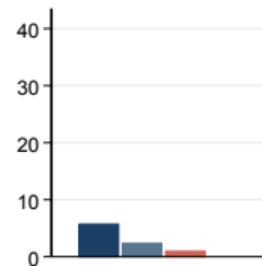
Gov. Spending



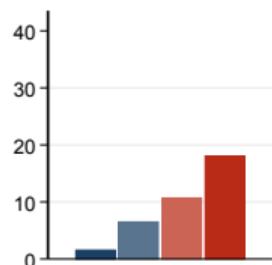
Efficiency



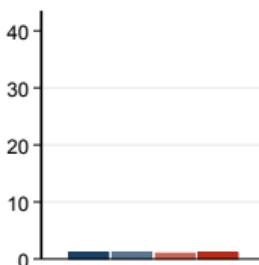
Loopholes



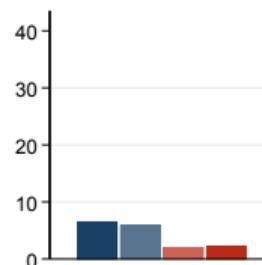
Double Tax



Grieve



Public Goods



Don't Know

