

U.S. attitudes to rich and poor gap based on beliefs about social mobility

May 9 2016



Professor Lionel Page

Concern for the poor is more likely to motivate support for policies to reduce income inequality than anger over the high incomes of the wealthy, a new QUT economics study of American attitudes to inequality has found.

The study's findings, however, are pertinent in the face of the current debate raised by the US presidential race and the release of the Panama Papers, says one of the study's authors, Professor Lionel Page, from QUT's School of Economics and Finance.

Professor Page, and Dan Goldstein, from Microsoft Research, conducted a study of 800 people in the US to investigate perceptions of inequality in society, published in *Social Choice and Welfare*

"We asked the participants how much they thought an unskilled worker, a skilled worker, a managing director and a chairperson of a large national corporation earned," he said.

"We found people tended to underestimate the level of inequality and overestimate the average income in the country. They thought people were, on average, richer than they were.

"Americans also underestimate the number of people who are really poor in their country because they overestimate the income of the unskilled.

"They also underestimate high incomes such as a chairman's income. As a consequence they tend to underestimate the degree of inequality in the country."

Professor Page said the study gave insights into the current US presidential race and the release of 40 years of tax avoidance strategies of the world's rich.

"There are two strong contenders for the nominations for the US presidency who are opposites in terms of background and economic outlook," he said.

"Donald Trump is a billionaire who wants to decrease taxes. In contrast, Bernie Sanders is an avowed socialist who wants to increase taxes, in particular on the wealthiest members of society to reduce inequalities.

"At the same time we have the Panama Papers which has opened the financial dealings of the top one per cent to scrutiny. What has been revealed so far has seen outrage and protests at the ploys used by the rich to avoid tax, legally and illegally."

Professor Page said his research showed that when people knew how little people on the lowest incomes have to live on, they were more inclined to support lowering [income inequality](#).

"We found people are more in favour of redistribution of wealth when they believe the poorest are really poor.

"However, the strongest influencers of attitudes to redistributive policies is not so much beliefs about inequality but the belief about whether there is social mobility in the country, giving everybody a fair chance to get high incomes, or not.

"In the US people believe in equality of opportunity – that if you try you can achieve – and thus they believe their society holds the potential for social mobility by anyone.

"People holding this view are less supportive of redistributive policies.

"There is a view that the poor are responsible for their predicament and there is less compassion for them."

Professor Page said the issue of growing income inequality had become a hotly debated topic in the US in recent years.

"In 2013, economist Thomas Piketty's book documenting the growth of inequalities in the US and the failure of wealth to trickle down the social ladder became a surprising best seller, topping the charts in Amazon sales.

"And this year, Bernie Sanders is surprisingly competitive in the primary race against Hilary Clinton. Sanders has openly declared himself a socialist and supports heavy redistributive policies."

Professor Page said that relative to the US, Australia had been a low inequality country for long time.

"However, a 2015 ACOSS report has found Australian income inequality is trending in the wrong direction," Professor Page said

"The report found that Australians in the top 20 per cent of income receive five times as much as those in the bottom 20 per cent and the wealthiest 20 per cent own 70 times as much as those in the bottom 20 per cent.

"Australia's growing inequality is likely to continue as a topic in the Australian political debate.

"This study suggests that the design and success of redistributive policies need to take into account the belief of the population about income inequalities and its origin.

"Reduction of inequality measures are likely to be better supported when the public feels they will benefit the poorest people in society or that inequalities persist when people are not able to move up the social ladder through their own work and initiatives."

More information: Lionel Page et al. Subjective beliefs about the income distribution and preferences for redistribution, *Social Choice and Welfare* (2016). [DOI: 10.1007/s00355-015-0945-9](https://doi.org/10.1007/s00355-015-0945-9)

Provided by Queensland University of Technology

Citation: U.S. attitudes to rich and poor gap based on beliefs about social mobility (2016, May 9) retrieved 26 June 2024 from <https://phys.org/news/2016-05-attitudes-rich-poor-gap-based.html>

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