# Income inequality is rising, but maybe not as fast as you think

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Americans' perceptions of income inequality are largely over-inflated when compared with actual census data, according to new research published in *Psychological Science*, a journal of the Association for Psychological Science.

"With the genuine rise in wealth inequality over the past several decades, and the popular media's intensive coverage of this issue, we wondered how income inequality is perceived by the average American," says psychological scientist John Chambers of St. Louis University.

Chambers, along with Lawton Swan and Martin Heesacker of the University of Florida, wanted to resolve conflicting findings in previous research about whether people are able to accurately assess income and income inequality.

Over 500 participants responded to the researchers' online survey, answering questions about their political leanings, their estimates of annual incomes for different racial groups in America, and their perceptions about overall income inequality in the United States.

Participants tended to overestimate the number of American households that are just scraping by, believing that, on average, about 48% of households make less than $35,000 a year. Census data show that only 37% actually fall under that number. By contrast, participants underestimated the number of American households that are faring well. They believed that, on average, only about 23% of households make

$75,000 or greater a year, when census data show that 32% actually make more than that number.

In addition, participants believed the income inequality gap was much larger than it actually is, estimating that the richest 20% makes about 31 times more than the poorest 20%. While the income gap has grown in the past 40 years, the reality is that the top 20% makes about 15.5 times more than the bottom 20% – half the size of the gap estimated by participants.

The researchers discovered that this income gap overestimation was due primarily to inflated perceptions regarding the richest 20%. In 2010, census data show that the richest 20% had average incomes of about $169,000, yet participants believed it was closer to $2,000,000.

Interestingly, these trends were exaggerated among self-identified liberals, who tended to overestimate the size and the growth rate of the income inequality gap, to a greater extent than their conservative counterparts.

"People's attitudes towards public policy are shaped by their perceptions of current economic conditions," Chambers explains. "The perceptions, and misperceptions, we documented may have important implications for public policy debates, such as support or opposition to wealth redistribution policies, minimum wage standards, and social welfare programs."

And the researchers were particularly surprised how pervasive these effects were:

"Almost all of our study participants – regardless of their socio-economic status, political orientation, racial ethnicity, education level, age, and gender – grossly underestimated Americans' average household

incomes and overestimated the level of income inequality," Chambers says. "Despite their very diverse backgrounds and personal circumstances, most of our study participants perceived incomes and income inequality far too pessimistically."

**More information:** pss.sagepub.com/content/early/ … 97613504965.abstract

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