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Researchers advocate for optimum level of 'unequality' for the US economy

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The growing disparity in economic inequality has become so stark that even Janet Yellen, Federal Reserve chairwoman, recently expressed concern. Interestingly, new research has discovered that American citizens desire an unequal, but more equal distribution of wealth and income. Lower levels of this "unequality" are associated with decreased unethical behavior and increased motivation and labor productivity. This study is published today in the inaugural issue of *Policy Insights from the Behavioral and Brain Sciences* (*PIBBS*).

"People from all walks of life – rich and poor, liberal and conservative – agree far more than they disagree on what America should look like. People exhibit a desire for unequality – not too equal, but not too unequal," wrote study author Michael I. Norton, of the Harvard Business School.

In his recent research, Norton found that people dramatically underestimate how unequally wealth is distributed in the U.S. and desire some inequality, but much less inequality than the current levels. For example:

- Americans estimated that the richest 20% had about 60% of the nation's wealth, when in reality, they had 85%; they wanted the richest 20% to possess 30% of the nation's wealth.
- Americans estimated that the poorest 20% had about 4% of the nation's wealth, when in reality, they had .1%; they wanted the poorest 20% to possess 10% of the nation's wealth.
- Americans estimated that CEOs made an average of 30x what unskilled workers made, while in reality, they earned 354x what unskilled workers made; Americans thought that an ideal pay ratio for CEOs to unskilled workers would be 7:1.

Drawing on recent behavioral research, Norton writes that high levels of pay inequality demotivates lower paid workers and is not offset by increases in motivation for higher paid workers. Inequality may even lead to worse performance in both groups, less generosity, and more unethical behavior (e.g. cheating) across the income distribution.

Commenting on his behavioral approach to the topic of an unequal economy, Norton noted:

"Economists have used historical data to attempt to determine when and why inequality has positive and negative consequences. Behavioral scientists – psychologists and behavioral economists – have taken a different and complementary approach: How inequality affects the thoughts, emotions, and behavior of a single person in worlds that are more or less unequal, and how that person's rank in each world – from richest to poorest – further shapes behaviors ranking from cheating to effort to generosity."

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