

DO AMERICANS UNDERSTAND INCOME INEQUALITY?



THOUGHTS ON EXISTING ANES QUESTIONS AND RECOMMENDATIONS FOR 2016

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Acknowledgements...

- Eunji Kim, doctoral student at University of Pennsylvania
- Rasmus Pedersen, post-doc at University of Copenhagen

RECOMMENDATIONS FOR CUTS



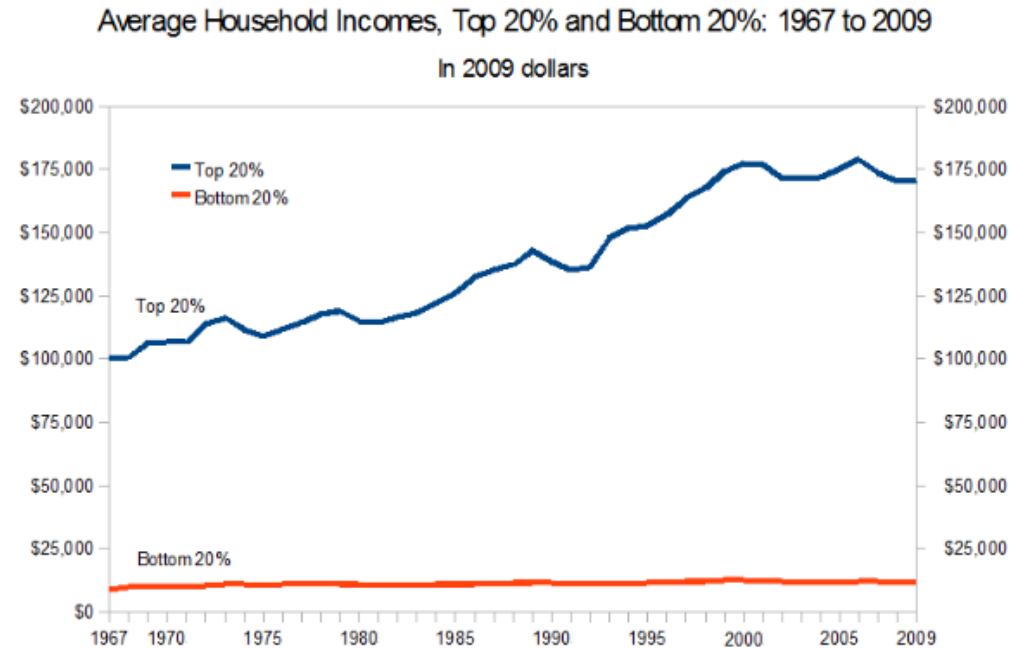


CASI Income Inequality Question

The difference in incomes has grown in the past few decades, as shown below. The blue line on top shows that the incomes of households in the top 20 percent has increased from about 100,000 in 1967 to about 171,000 in 2009 (all income figures are in 2009 dollars). The red line on the bottom shows that the income of households in the bottom 20 percent has increased from about 9,000 in 1967 to about 11,500 in 2009. In 1967, households in the top 20 percent earned an average of 11 times as much as households in the bottom 20 percent. Today, the top earn an average of 15 times as much.

Is it good, bad, or neither good nor bad that the DIFFERENCE between the top and the bottom incomes has changed this way?

Does R favor-oppose govt reducing income inequality?

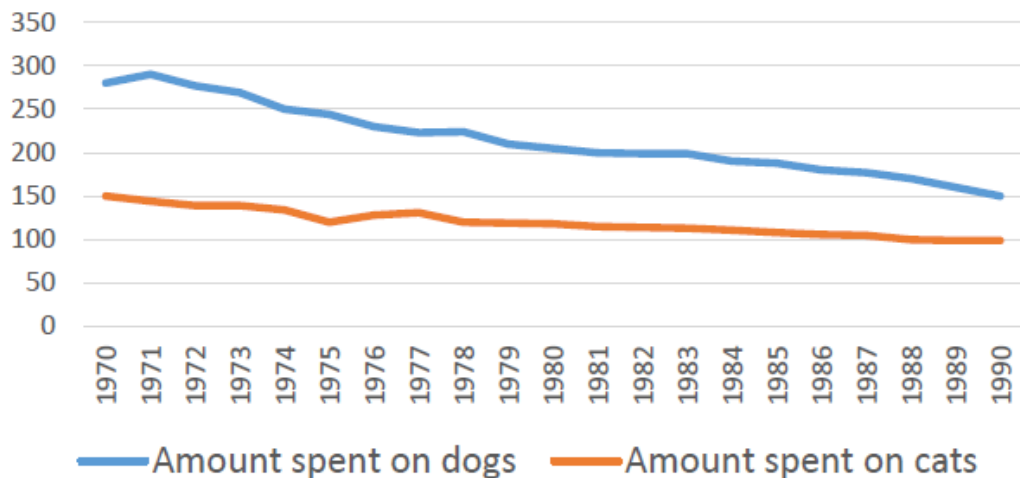




Problems

- Changes people's views by giving them new information
- Too long and complex
- People do not understand graphs

Average Amount Spent on Cats and Dogs, by Year



Based on the graph shown below, the average amount spent per year on dogs and cats has become

- a) More equal from 1970 to 1990
- b) Less equal from 1970 to 1990
- c) About the same disparity in 1970 as in 1990

44% Incorrect, 56% Correct



Equalitarianism Index (6 items)

1. Our society should do whatever is necessary to make sure that everyone has an equal opportunity to succeed.
2. We have gone too far in pushing equal rights in this country.
3. One of the big problems in this country is that we don't give everyone an equal chance.
4. This country would be better off if we worried less about how equal people are.
5. It is not really that big problem is some people have more of a chance in life than others.
6. If people were treated more equally in this country we would have many fewer problems.



Problems

- Not used a great deal by ANES users- asked 22 times, used 21 times
- These items are not specific to income inequality and can refer to many **other forms of inequality (i.e. race, gender)**
- **Open ended answers on Mturk** confirm these problems.

“What are some of the reasons that income inequality has decreased/increased/stayed about the same? What do you think has caused this to happen?”



Confusion with racial/gender inequality

- “Nothing has changed! People are still dealing **with racism and the glass-ceiling.**”
- “**Racism**, social and class warfare.”
- “there is also more of a **segregation** in terms of education, healthcare, and neighborhood”
- “**People of color** and women are being treated much more poorly than men and especially white men.”
- “**women's rights** and women becoming better at those jobs that pay more”
- “there are **more women in the workforce** then back then”
- “**Women have made great strides** in todays economy”
- “People have more **respect for women** now”
- “**Women are working** in more fields and are still being paid significantly less than men.”



RECOMMENDATIONS FOR ADDITIONAL INSTRUMENTATION



Three Main Recommendations:

1. Add support for several specific policies related to addressing income inequality
2. Add economic mobility, a related but conceptually and empirically distinct concept.
3. Add attributions of responsibility for income differences



Policies Addressing Inequality

- Currently, the only policy questions that could be related to people's attitudes towards income inequality are the ones on welfare spending/aid to the poor.



Policies Addressing Inequality

To what extent does the income gap question predict support for government policies that address inequality?

DV = policy item

IV = income gap question

The table displays the coefficients.

Dependent variable (policy item)	Bivariate regression	Controlling for Party ID
Increase tax rate those on earning more than \$250,000	0.48	0.33
Pay ratio disclosure	0.47	0.37
Minimum wage	0.39	0.21
Reduce income differences	0.38	0.20
Subsidies for health insurance	0.34	0.19
Subsidies for housing	0.34	0.20
Subsidies for childcare	0.32	0.18
Education spending	0.30	0.19
Investment in job training	0.28	0.19
Ensure all have equal opportunity to succeed	0.28	0.17
Provide low interest loans to start small business	0.22	0.15
Provide low-interest student loan	0.21	0.14
Basic income	0.14	0.03



Abstract Policies Addressing Inequality

Three possible ways to reduce inequality:

1. Raise the bottom
2. Lower the top
3. Raise the bottom and lower the top

If you had to choose between

Policy A which would raise the incomes of all Americans by an equal amount

and

Policy B, which would ...

which would you choose?

Policy B had three versions, randomly assigned:

- 1) raise the incomes of people below a certain income by a given amount, and lower the incomes of people above a certain income by the same amount
- 2) raise the incomes of people below a certain income by a given amount
- 3) lower the incomes of people above a certain income by a given amount



Abstract Policies Addressing Inequality

Condition 1

			TOTAL
Policy preference A: Raise income for all			51.29%
Policy preference B: Raise bottom/ lower top			48.71%

Condition 2

			TOTAL
Policy preference A: Raise income for all			43.50%
Policy preference B: Raise bottom			56.60%

Condition 3

			TOTAL
Policy preference A: Raise income for all			65.60%
Policy preference B: Lower top			34.40%

Most popular policy addressing inequality is
2) Raise bottom,
followed by
1) Raise bottom and lower top.
3) Lowering top is least popular.



Which policy is best for reducing inequality?

	A: INCORRECT ANSWER	B: CORRECT ANSWER	TOTAL	
Condition 1	Policy preference A: Raise income for all	70.12 %	29.88%	51.29%
	Policy preference B: Raise bottom/ lower top	9.66%	90.34%	48.71%
	A: INCORRECT ANSWER	B: CORRECT ANSWER	TOTAL	
Condition 2	Policy preference A: Raise income for all	57.39 %	42.61%	43.50%
	Policy preference B: Raise bottom	11.64 %	88.36%	56.60%
	A: INCORRECT ANSWER	B: CORRECT ANSWER	TOTAL	
Condition 3	Policy preference A: Raise income for all	72.62 %	27.38%	65.60%
	Policy preference B: Lower top	21.24 %	78.76%	34.40%

Motivated reasoning drives perceptions of the policies best for reducing inequality.

Whatever policy they prefer is best at reducing inequality.



Which policy is best for reducing inequality?

Condition 1

	INCORRECT ANSWER	CORRECT ANSWER
Policy preference A: Raise income for all	88.43 %	25.83%
Policy preference B: Raise bottom/lower top	11.57 %	74.17%
Total	40.67%	59.33%

Lowering the top produced the most incorrect responses.

Condition 2

	INCORRECT ANSWER	CORRECT ANSWER
Policy preference A: Raise income for all	79.15%	27.07%
Policy preference B: Raise bottom	20.85%	72.93%
Total	31.54%	68.46%

Raising the bottom had the fewest incorrect responses.

Condition 3

	INCORRECT ANSWER	CORRECT ANSWER
Policy preference A: Raise income for all	86.70%	38.86%
Policy preference B: Lower top	13.30%	60.14%
Total	54.95%	45.05%

Reducing inequality is perceived to be a matter of helping the poor.



Economic Mobility

Why include?

- **NOT the same concept as inequality**
 - Income inequality is worse, but the mobility rate hasn't changed (Chetty et al 2014)
- Respondents seem to understand that economic mobility is different
- Economic mobility question has independent predictive power for policy items



Economic Mobility

YouGov Survey:

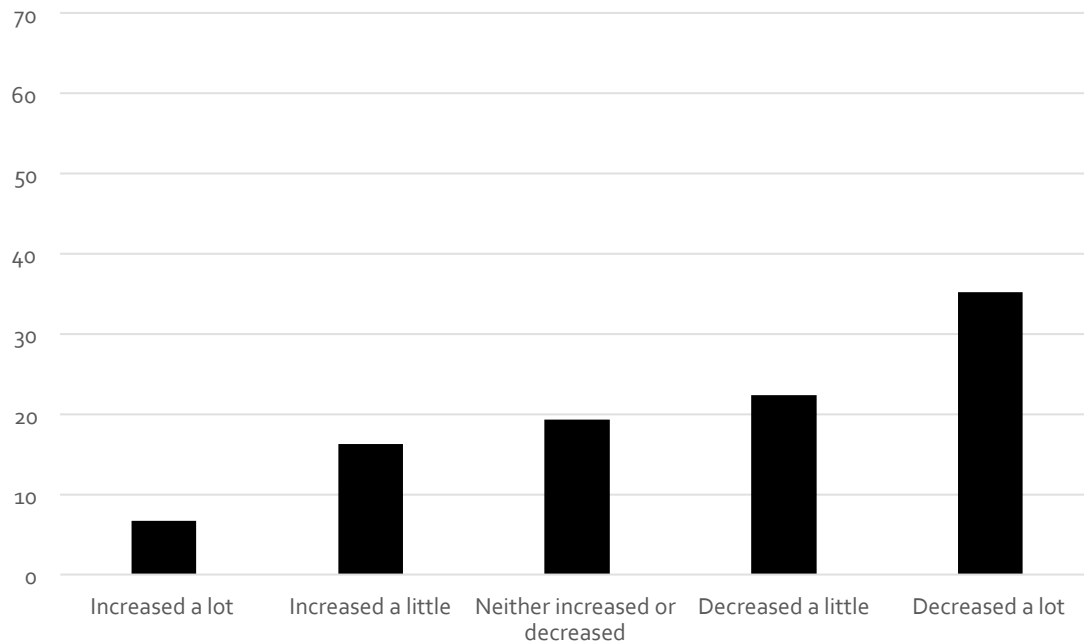
Do you think that **economic mobility**, that is, **people's opportunity to improve their financial well-being**, has decreased or increased today compared to what it was 20 years ago?



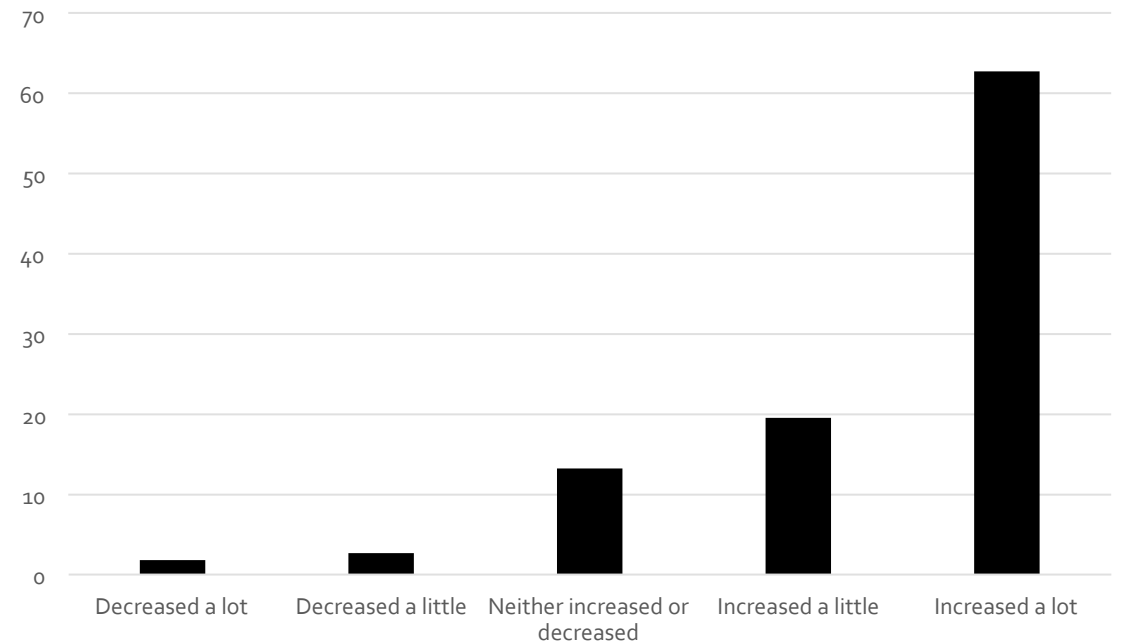
Economic Mobility

It has much **more variance** than the question on income inequality.

Economic mobility compared to 20 years ago
(% of total response, N=1999)



Income inequality compared to 20 years ago
(% of total response, N=1999)





Economic Mobility

- Responses to economic mobility question predict support for government policies even after controlling for gap inequality question.
- Economic mobility question correlates with support for non-government policies equally well as the income inequality question does.

	Support for economic policies	
	(1) Gov Policy	(2) Non-Gov
Income inequality	0.183*** (0.021)	0.078*** (0.019)
Social mobility	0.043*** (0.015)	0.061*** (0.014)
Democrat	0.591*** (0.050)	0.251*** (0.046)
Republican	-0.860*** (0.051)	-0.406*** (0.047)
Observations	1,998	1,998
R-squared	0.424	0.165



Economic Mobility

It has **predictive power for policies that enhance equality of opportunity** above and beyond the income inequality question.

Equality of Opportunity Policy Index (4 Questions)

- (1) The government needs to invest more in **job training** to reduce income inequality.
- (2) The government should do what is necessary to make sure that everyone has an **equal opportunity to succeed**.
- (3) The government spends too much money improving our **education** system. (reverse coded)
- (4) The government should provide **low interest student loans** so anyone who wants to work hard can go to college.

DV = Equality of Opportunity Policy Support Index (Gov)	
Income Inequality	0.160*** (0.031)
Economic Mobility	0.045** (0.023)
Republican	-0.408*** (0.080)
Democrat	0.741*** (0.076)
Observations	998
R-squared	0.292



Attributions of Responsibility

In a pilot Mturk survey, we asked respondents the reasons why the gap between rich/poor has decreased/increased/stayed about the same.

We coded the open-ended answers and included the top 10 categories as closed-ended items in the subsequent representative survey.

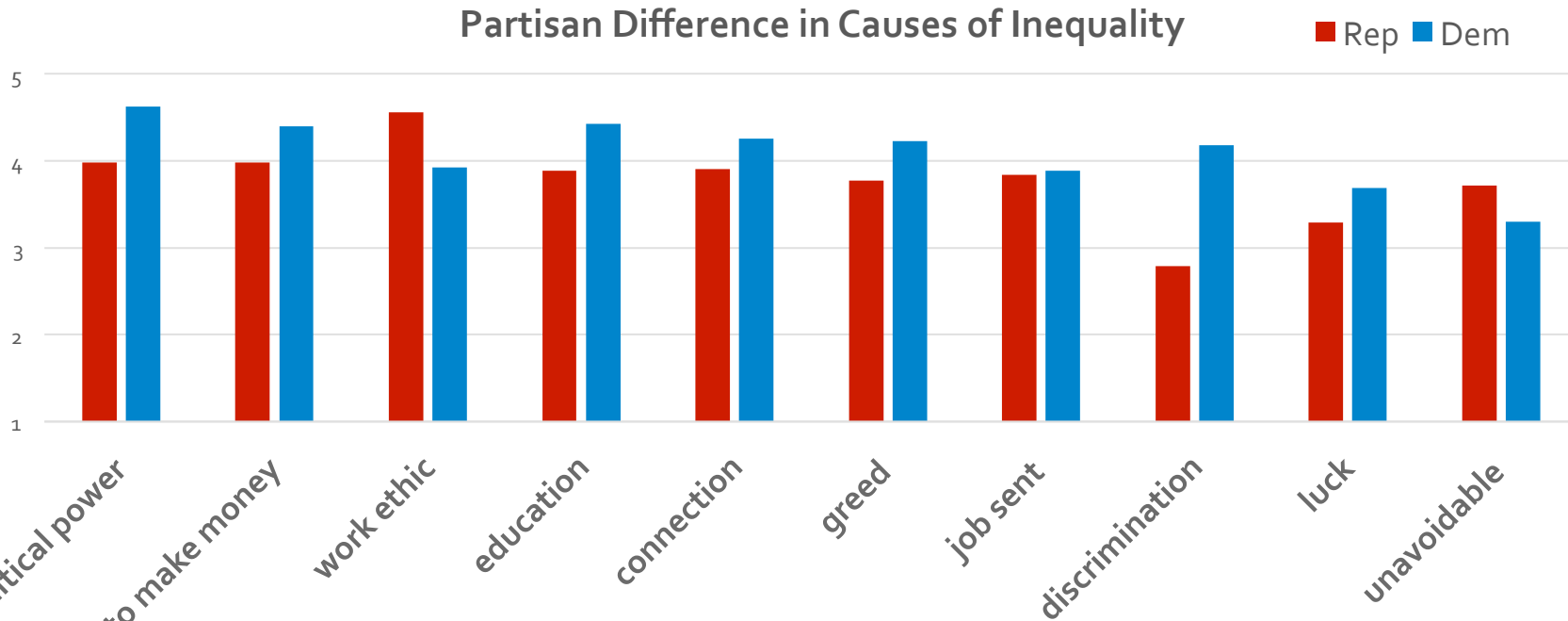
Why do some people have much higher incomes than others? Please indicate the degree to which you agree or disagree with each of these explanations. Some people have higher incomes than others because...

- (1) some people are **lucky**
- (2) some people **work harder** than others
- (3) there is **discrimination** against some groups and favoritism toward others
- (4) it's an **unavoidable** part of modern life.
- (5) some people have better **educational opportunities** than others
- (6) good **jobs** have been sent overseas
- (7) some people have more **connections** through friends or family
- (8) it **takes money to make money**, and some people have family money.
- (9) the rich have greater **political influence** than the poor.
- (10) people are **greedy**



Attributions of Responsibility

Partisan Difference in Causes of Inequality



Top 5 Reasons by Party ID

	Rep	Dem
1	Work ethic	Political power
2	Takes money to make money	Education
3	Political power	Takes money to make money
4	Connection	Connection
5	Education	Greed



Attributions of Responsibility

- **Recommendation:**

5 items cover most of the top choices for both Republicans and Democrats (**work ethic, takes money to make money, political power, education and connections**).

- *Why do some people have much higher incomes than others? Please indicate the degree to which you agree or disagree with each of these explanations.*

- (1) Some people work harder than others
- (2) it takes money to make money
- (3) the rich have greater political influence than the poor
- (4) Some people have better educational opportunities than others
- (5) Some people have more connections through friends or family



Why not the cross-national question?

Questions ask Rs to say what they think the average CEO and worker make in their country.

Then asks what they each ideally should make. Researchers then create ratios representing actual and ideal pay ratios.

1. Strong anchoring effects using volunteered numbers



Why not the cross-national question?

Questions ask Rs to say what they think 1) the average CEO and 2) worker make in their country.

Then asks what they each ideally should make. Researchers then create ratios representing actual and ideal pay ratio.

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Table 1. Predicting respondents' preferred pay-ratio between CEOs and workers

	(1)	(2)	(3)	(4)	(5)
Differences in Income Too Large	-0.03	0.03	-0.44***	-0.39***	-0.51***
	(0.04)	(0.04)	(0.03)	(0.03)	(0.03)
Rightwing		0.33***	0.28***	0.27***	0.18***
		(0.03)	(0.02)	(0.02)	(0.02)
Estimated ratio, Chairman/worker (ln)			0.57***	0.57***	0.51***
			(0.01)	(0.01)	(0.01)



Why not the cross-national question?

Questions ask Rs to say what they think the average CEO and worker make in their country.

Then asks what they each ideally should make. Researchers then create ratios representing actual and ideal pay ratios.

1. Strong anchoring effects using volunteered numbers
2. Poor predictive validity

Studies using this question find no differences by party or ideology in ideal ratios.

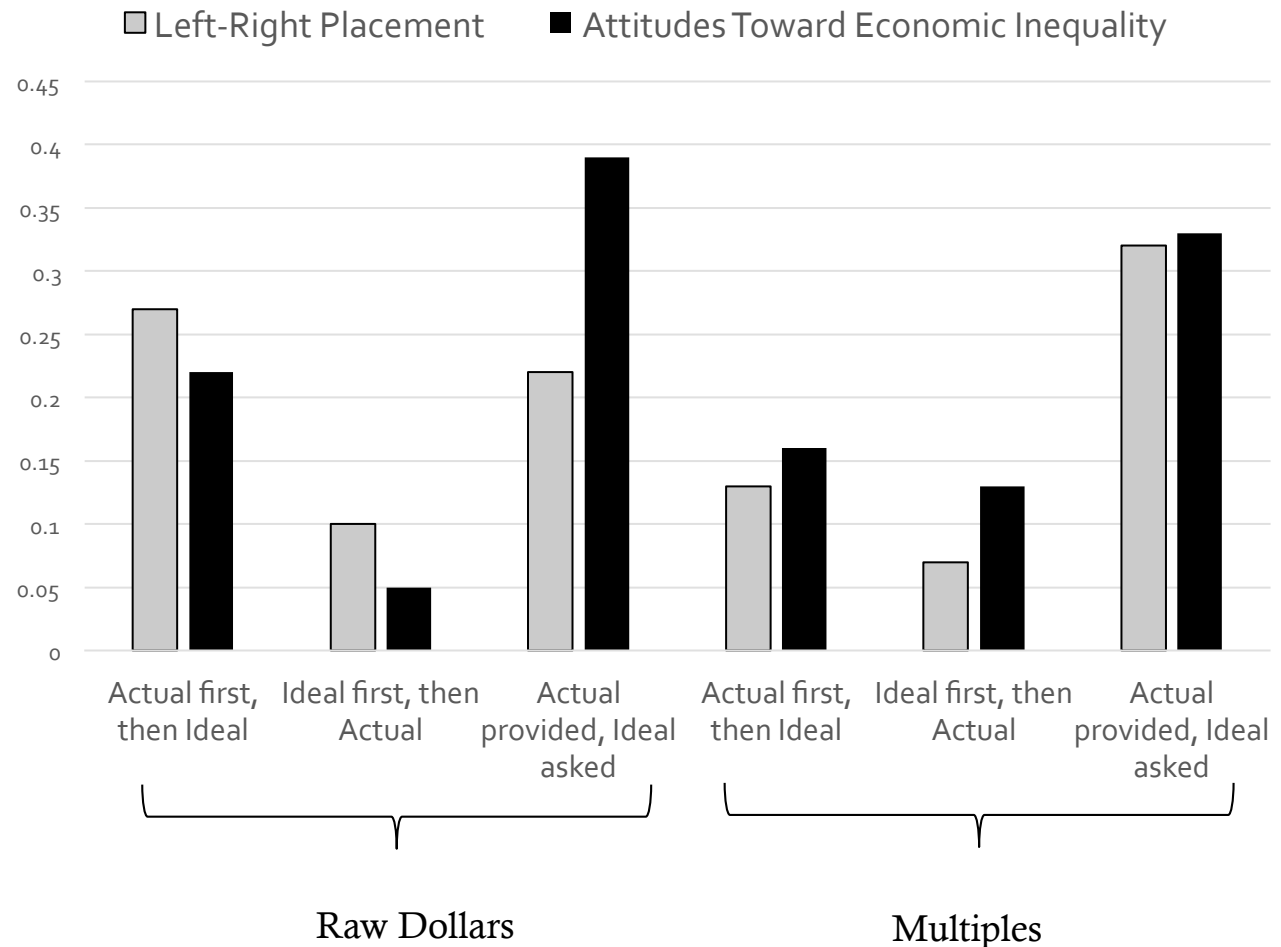
These measures do not correlate with what they ought to.



Why not the cross-national question?

Figure 1. Correlations between Ideal Pay Ratio and Criterion Variables, by Experimental Condition.

Only works well in terms of predictive validity if the survey provides the same “actual” anchors to all Rs.



Three Main Recommendations:

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Appendix

1. Policy Question Wording

Increase tax rate those on earning more than \$250,000

Pay ratio disclosure

Minimum wage

Reduce income differences

Subsidies for health insurance

Subsidies for housing

Subsidies for childcare

Education spending

Investment in job training

Ensure all have equal opportunity to succeed

Provide low-interest loan to start small business

Provide low-interest student loan

Basic income

Appendix

To what extent do you favor or oppose each of the following?

[5 point strongly favor to strongly oppose]

- Government subsidies to low-income workers so they can afford health insurance
- Government subsidies to low-income workers so they can afford housing
- Government subsidies to low-income workers so they can afford childcare services
- Raising the minimum wage
- **Increasing the tax rate on Americans earning more than \$250,000 a year**

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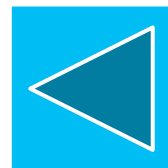
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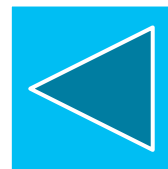
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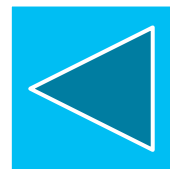
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- Increasing the tax rate on Americans earning more than \$250,000 a year

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Appendix

[BASIC INCOME]

A basic income policy is when the government of a country gives every adult a basic income every month regardless of whether they are rich or poor. Would you favor or oppose giving all Americans a basic income every month?

[5 point strongly favor to strongly oppose]

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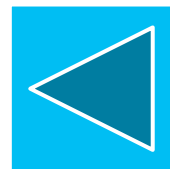
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[PAY RATIO DISCLOSURE]

The Securities and Exchange Commission of the U.S. federal government recently adopted a new rule that requires companies to disclose how much more its chief executive officer (CEO) makes relative to its employees. Do you favor or oppose this new rule?

[5 point strongly favor to strongly oppose]

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Appendix

To what extent you agree or disagree with each of the following statements:
[5 point strongly agree to strongly disagree]

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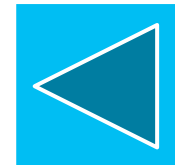
The government should do what is necessary to make sure that everyone has an equal opportunity to succeed.

The government spends too much money improving our education system.

The government should provide low interest student loans so anyone who wants to work hard can go to college.

*note: this was actually an experiment, where one group got the government condition and the other group got the non-government ("our society") condition. The result from the non-government condition was omitted.

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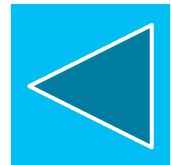
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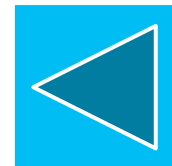
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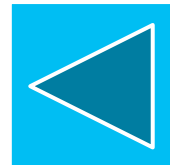
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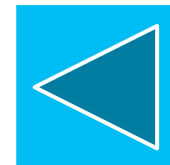
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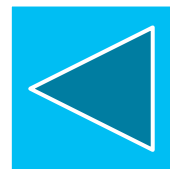
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It takes money to make money, so the government should give low interest loans to those who have good ideas and want to start small business.

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